THE ONTARIO MILK MARKETING BOARD
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For additional copies of the 25th Annual Report of The Ontario Milk Marketing Board, contact the Board/Industry Relations Division, Ontario Milk Marketing Board, 6780 Campobello Rd., Mississauga, Ontario, L5N 2L8. Phone (416)821-8970. Supplement to the Ontario Milk Producer, February 1991.

Message from the Chairman of the Board

John Core

Un Message du Président de L'Office

Ontario's milk producers have good cause for pride over the 25th anniversary of their marketing board.

The chaos prevailing in the dairy industry in pre-Board days has been replaced with order and relative stability. Rampant inequity has been eliminated by providing efficient producers with an equal opportunity to obtain fair rewards for their efforts, skills and investment. High quality, nutritious milk and dairy products reach all Ontario's consumers on a very consistent basis at most reasonable prices.

These achievements did not happen by accident.

A key ingredient in your Board's success - and survival - has been an on-going determination to manage change in a positive fashion. And producers have usually been given reasonable time-frames to adjust successfully to new demands and policies.

As our industry stands on the threshold of another challenging era, its ability to adapt will continue to determine the degree of success or failure.

At the time of writing, we do not know the ultimate outcome of the GATT negotiations. We continue to do our utmost to try and ensure that the achievements of the past 25 years are not cast away. Whatever the final "deal" is, we must resolve to manage the required changes in the same positive manner as we have done in the past.

We have already taken the first steps on our course for the new decade of the 90s by drafting up the Board's new Strategic Plan. The input of all stakeholders is being actively sought as we do our best to forecast the new demands on us rather than just allowing the industry's destiny to be dictated solely by outside pressures and surprise events.

I remain very confident that your Board, with the traditional support of its staff, Milk Committees, and producers at large, will cope admirably with the challenges ahead of it in the next 25 years.

Les producteurs laitiers de l'Ontario ont de quoi être fiers à l'occasion du 25e anniversaire de l'OMMB.

Le chaos qui régnait dans l'industrie laitière avant la création de l'OMMB a fait place à l'ordre et à une relative stabilité. L'inéquité flagrante a été enrayée et les producteurs ont maintenant des chances égales d'obtenir la juste récompense de leurs efforts, de leur expérience et de leur investissement. Les consommateurs ontariens ont donc à leur disposition du lait et des produits laitiers nutritifs et de qualité supérieure, à prix très raisonnables.

Ces réalisations ne sont pas le fruit du hasard.

L'ingrédient de base de la réussite de l'OMMB – et de sa survie – a été sa détermination à s'adapter au changement d'une façon positive. Les producteurs ont par ailleurs toujours disposé de délais raisonnables pour faire face aux exigences et aux politiques nouvelles.

Au seuil d'une autre époque riche en défis à relever, l'aptitude de l'industrie à s'adapter continuera à déterminer le degré de ses succès ou de ses échecs.

Au moment de rédiger ce message, les résultats des négociations du GATT nous sont encore

inconnus. Nous avons fait tout ce qui était en notre pouvoir pour que les réalisations des 25 dernières années ne soient pas balayées. Mais si "l'accord" final n'est pas à la mesure de nos espérances, nous devons résoudre d'accepter les changements imposés de la même manière positive que nous l'avons fait dans le passé.

Nous avons déjà fait nos premiers pas dans la nouvelle décennie en élaborant le plan stratégique de l'OMMB. Nous sollicitons activement la contribution de tous les intéressés de l'industrie tout en tâchant de prévoir les nouvelles exigences qui nous seront imposées plutôt que de simplement laisser les pressions extérieures et les événements inattendus dicter la destinée de l'industrie.

Je garde la certitude que l'OMMB, avec le soutien de son personnel, des comités laitiers et de l'ensemble des producteurs, affrontera avec un égal succès tous les défis qui s'offriront à lui au cours des 25 prochaines années.

Milk Production and Supply Management
Quota Cuts and Higher Levies

The Board marketed 2.362 billion litres of milk during the past fiscal year. This represented a slight increase of 6 million litres, or 0.3 per cent over marketings in the previous year.

Relatively low marketings during the early months of the year recovered with a positive upward trend in marketings during the second half of the year. As a consequence, the supply situation was much better in the fall of 1990, than in the previous year.

With respect to the national supply management program, the past year has been highlighted by quota reductions and rising levy rates. MSQ was reduced in Ontario by 3.0 per cent on February 1, 1990, and by another 3.0 per cent effective August 1, 1990. The reduction in domestic requirements was attributed to decreased butter consumption and to increases in skim-off because of the increased consumption of low-fat milk and dairy products. In addition, the traditionally strong growth trend in specialty cheese consumption moderated and did not offset losses in the butter market.

Canadian milk and cream marketings for the 1989/90 dairy year amounted to 46.98 million hectolitres or 102.1 per cent of MSQ. Domestic requirements for the year came to 44.09 million hectolitres, down 2.6 per cent compared to a year earlier. Exports of butter and whole milk products for the year totalled 2.9 million hectolitre equivalent, while butter stocks held by the CDC amounted to 17.8 million kilograms at the end of the dairy year, virtually unchanged from the end of the previous dairy year.

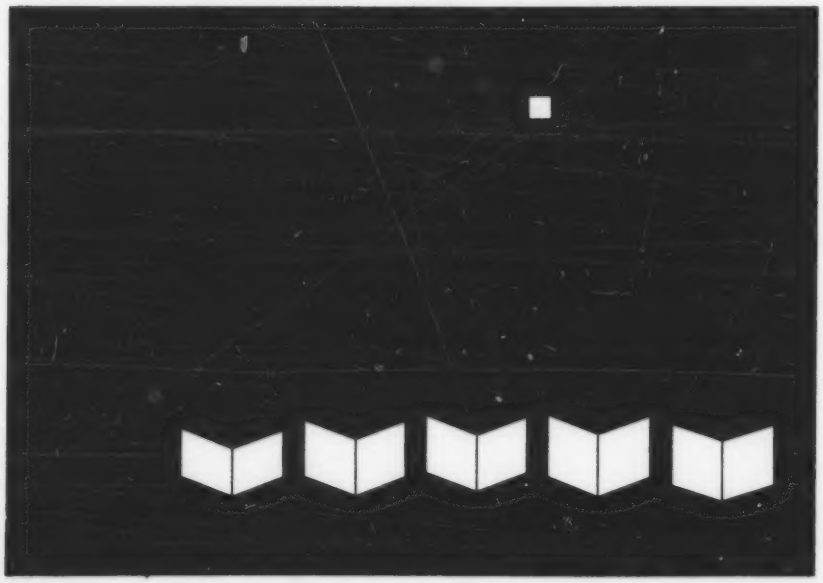
Under the 1990/91 budget for the export account, the normal year-end butter stock level considered necessary to service the domestic market was lowered from 12 to 10 million kilograms. As a consequence, some 7.8 million kilograms in surplus butter stocks were written down to world prices. These surplus stocks will eventually have to be exported, unless they are required to offset future production shortfalls or consumption increases in the domestic market, which seems unlikely.

In order to help address the surplus butter stock situation, the Canadian Milk Supply Management Committee (CMSMC) decided in May to sponsor once again the special "Butter Up and Win" promotion campaign which the Dairy Bureau has run over the past two years. The 1990 version of the campaign was run in all provinces over the six-week period commencing on October 29.

In Ontario, milk and cream producers shipped 51.992 million kilograms of butterfat in the 1989/90 dairy year, representing a utilization of 100.9 per cent of the provincial MSQ. The average butterfat test on industrial milk was 3.91 kg per hectolitre, 0.4 per cent lower than in the previous year.

Provincial subsidy entitlement for the dairy year was 49.301 million kilograms, or 95.7 per cent of the provincial MSQ. After year-end adjustment, Ontario milk producers received the direct payment on up to 98.4 per cent of their individual MSQ.

Ontario's levy obligations for the 1989/90 dairy year totalled $39.5 million. Board collections, at rates of $2.35 and $30.00 per hectolitre for within and over-quota shipments amounted to $44.7 million. Out of this amount, $9.9 million was refunded on over-quota shipments. Over-quota levies were refunded in October with levies being refunded up to 107 per cent of individual MSQ in the Southern and Northern Ontario Pools and on all over-quota shipments in the Kenora/Rainy River Pool.



When the $8.6 million reserve available from the previous dairy year was taken into account, the Board was left with a reserve of $3.9 million after over-quota refunds and after meeting CDC levy obligations for the dairy year. This reserve, in addition to the Board's $3.3 million share of the refund from the 1989/90 national levy account surplus, left the Board with a total year-end reserve of $7.2 million. In establishing the provincial within-quota levy rate for the 1990/91 dairy year, the Board committed $5.3 million of this reserve to financing the difference between the provincial within-quota rate of $3.00 per hectolitre and the national rate of $3.44 per hectolitre. The remaining uncommitted reserve of $1.9 million represented a safeguard against future increases in levy rates.

The provincial over-quota levy rate for

Production de lait et gestion des approvisionnements - Coupures des quotas et prélèvements plus élevés

L'OMMB a mis en marché 2,362 milliards de litres de lait au cours de l'exercice écoulé, une légère augmentation de 6 millions de litres, ou 0,3 %, comparativement à l'année précédente.

La baisse de production enregistrée pendant les premiers mois de l'année a été compensée par une tendance à la hausse pendant le deuxième semestre. Par conséquent, les approvisionnements ont été meilleurs à l'automne 1990 qu'à la même période l'an dernier.

Quant au programme national de gestion des approvisionnements, le dernier exercice a été ponctué de réductions de quotas et d'une hausse des taux de prélèvement. Une première réduction de 3 % des QMM a été effectuée le 1er février 1990 et une seconde, le 1er août 1990. La restriction des besoins nationaux a été attribuée à la consommation décroissante de beurre et à la demande plus forte d'écrémage due à une plus grande consommation de lait et de produits laitiers allégés. En outre, la consommation de fromages de spécialité, à tendance traditionnellement croissante, s'est stabilisée et n'a donc pas contrebalancé les pertes du marché du beurre.

Dans l'ensemble du pays, les mises en marché de lait et de crème de la campagne laitière 1989-1990 ont atteint 46,98 millions d'hectolitres ou 102,1 % du quota. La demande intérieure a été de 44,09 millions d'hectolitres, marquant une baisse de 2,6 % par rapport à l'an dernier. Les exportations de beurre et de produits de lait entier se sont élevées à 2,9 millions d'hectolitres en équivalents, tandis que les stocks de beurre de la Commission canadienne du lait (CCL) étaient de 17,8 millions de kilogrammes en fin de campagne, soit presque le même total qu'à la fin de la campagne précédente.

En regard du budget de 1990-1991 pour le compte national des exportations, le niveau normal des stocks de beurre en fin de campagne considéré comme nécessaire pour répondre à la demande du marché intérieur a été baissé de 12 à 10 millions de kilogrammes. Ainsi, le prix de quelque 7,8 millions de kilogrammes de beurre excédentaire est maintenant rabaissé pour égaler les prix mondiaux. Ces stocks excédentaires devront être exportés, à moins, ce qui est improbable, qu'ils ne doivent être utilisés pour compenser une production future insuffisante ou pour répondre à une demande accrue du marché intérieur.

Afin d'aider à régler la question des stocks de beurre excédentaire, le Comité canadien de gestion des

approvisionnements de lait (CCGAL) a décidé en mai d'appuyer une fois de plus la campagne spéciale de promotion "Qui beurre gagne" menée ces deux dernières années par le Bureau laitier. La version 1990 de la campagne a été présentée dans toutes les provinces pendant six semaines, à partir du 29 octobre.

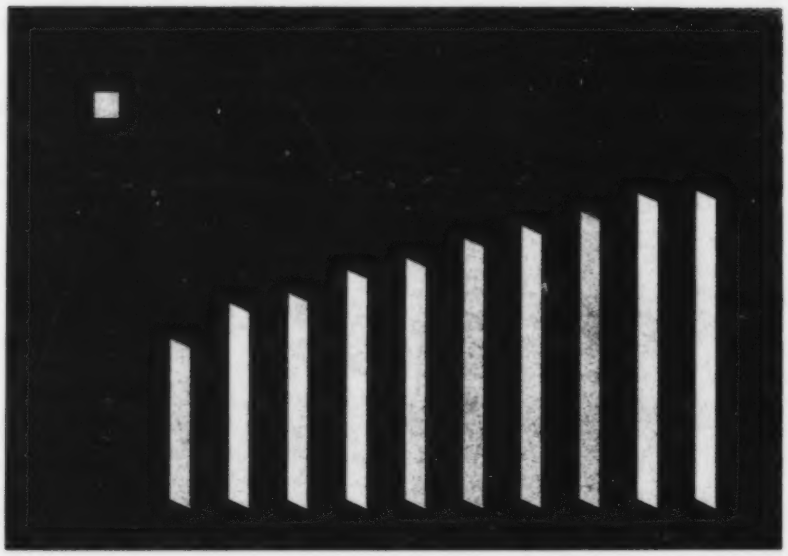
En Ontario, les producteurs de lait et de crème ont livré 51,992 millions de kilogrammes de matières grasses (M.G.) au cours de la campagne laitière 1989-1990, ce qui représente une utilisation de 100,9 % du QMM provincial. Le taux moyen de M.G. du lait de transformation a été de 3,91 kg/hl, soit une baisse de 0,4 % comparativement à celui de l'année précédente.

Le niveau provincial ouvrant droit aux subventions a été de 49,301 millions de kilogrammes, ou 95,7 % du QMM provincial. Après la régularisation de fin d'exercice, les producteurs de lait ontariens ont reçu une subvention maximale de 98,4 % pour leur QMM individuel.

Les engagements de prélèvements de l'Ontario, pour la campagne laitière 1989-1990, se sont élevés à 39,5 M$. Les prélèvements de l'OMMB, à raison d'un taux provincial de 2,35 $ et de 30 $ l'hectolitre sur les livraisons intérieur-quota et en excédent de quota respectivement, ont atteint 44,7 M$. Sur cette somme, 9,9 M$ ont été versés en remboursement des prélèvements sur les livraisons excédentaires. Les prélèvements d'excédent de quota ont été remboursés en octobre; les remboursements ont couvert jusqu'à 107 % du QMM individuel dans les Pools du sud et du nord de l'Ontario et la totalité des livraisons excédentaires dans le Pool Kenora/Rainy River.

the 1990/91 dairy year was set at the same level as the national rate, $33.00 per hectolitre.

The 1990/91 provincial skim-off levy was established at a rate of $0.4114 per hectolitre on Class 1 sales. The Board initiated the direct deduction of this levy from producer milk cheques commencing with the August, 1990, statement. Prior to this, the skim-off levy had been collected by the CDC through a holdback on the direct payment to producers.



Turning to matters of a more general nature, work progressed during the year on the development of a proposed market exchange mechanism for the interprovincial movement of MSQ. The special committee established to develop the proposal tabled its initial report to the CMSMC in March. The proposal is currently being refined and developed for future consideration.

National Dairy Policy -
Crucial Issues Examined

It will be recalled that, after many years without an on-going commitment to dairy policy, the Federal Government announced in January, 1986, that there would be a long-term program in place for five years. That commitment officially ends on March 31, 1991. Canadian dairy policies have been subjected to intense scrutiny brought about, in no small part, as a result of the Canada-U.S. trade agreement and the on-going GATT negotiations. The latter will likely affect the ability of the government to establish dairy policy in the future and, therefore, it has a direct and significant impact on the entire dairy industry. The issue of producer returns is a central element of domestic policy and clearly one of the most fundamental factors influenced by trade policy. The industrial milk pricing mechanism in Canada was opened up for review in 1986. It still has not been fully resolved.

In July, 1989, the Minister of Agriculture announced the formation of a National Dairy Task Force. The Task Force is made up of representatives of the Canadian Dairy Commission, Dairy Farmers of Canada, the National Dairy Council, the Consumers' Association, and the Federal Government. Its mandate is to review all elements of existing dairy policy, paying particular attention to market responsiveness, sectoral self-reliance and sustainable agriculture. Through a broadly based and publicly accessible process, the Dairy Task Force has to identify options for a future long-term dairy policy. The general areas for consideration include: pricing; trade issues; market responsiveness; quota matters; the legislative/institutional framework; the direct payment; and the role of the Canadian Dairy Commission. The Task Force is required to make its report by March 31, 1991.

The Minister also requested the Task Force to consider two matters of immediate urgency. The first pertained to the competitive pricing of further processed products e.g. frozen pizza. With tariffs still in place and taking other factors into account, raw milk pricing was not the over-riding factor with regard to competitiveness. Accordingly, no specific action was taken. This matter still has to be addressed in a longer-term context.

The second issue was arms-length pricing. As a result of the government's commitment to GATT, in the spring of 1989, to not increase support for agriculture for the duration of the negotiations, the ability to adjust support prices was severely hampered. That commitment resulted in a modest price increase of $0.39 per hectolitre, August 1, 1989, but the benefit

Lorsque la réserve de 8,6 M$ de l'année précédente a été versée au compte, l'OMMB s'est en fait retrouvé avec une réserve de 3,9 M$ après les remboursements des prélèvements d'excédent de quota et le paiement des engagements de prélèvements de la CCL pour la campagne laitière. Cette réserve, ajoutée à la part de l'OMMB de 3,3 M$ provenant du remboursement sur le surplus du compte national des prélèvements, constituait une réserve totale de fin de campagne de 7,2 M$. En établissant le taux provincial des prélèvements intérieur-quota pour la campagne 1990-1991, l'OMMB a consacré 5,3 M$ de cette réserve au financement de la différence entre le taux provincial intérieur-quota de 3 $/hl et le taux national de 3,44 $/hl. La réserve non affectée de 1,9 M$ formait une sauvegarde contre les augmentations éventuelles des taux de prélèvement.

Le taux provincial des prélèvements d'excédent de quota pour la campagne laitière 1990-1991 est le même que le taux national, soit 33 $/hl.

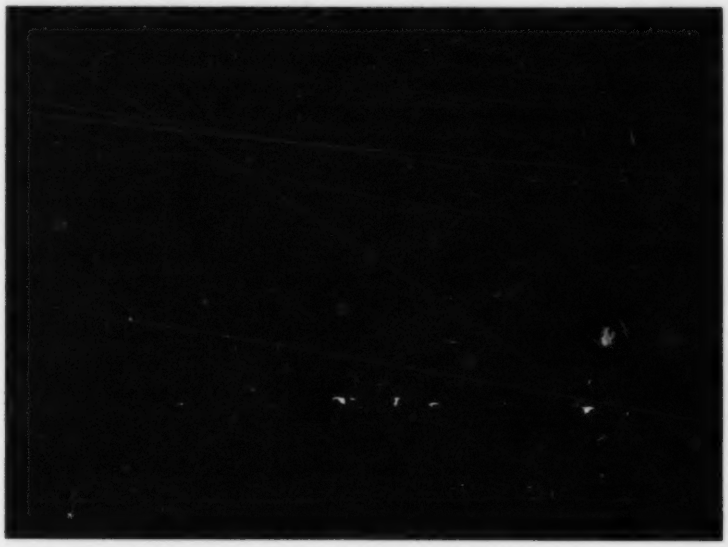
Le prélèvement provincial sur l'écrémage pour 1990-1991 a été fixé à un taux de 0,4114 $/hl pour les ventes de la classe 1. L'OMMB est à l'origine de cette retenue que les producteurs laitiers versent par chèques et ce, depuis août 1990. Précédemment, le prélèvement sur l'écrémage était perçu par la CCL qui retenait un certain montant sur les subventions aux producteurs.

D'un point de vue plus général, l'élaboration d'un mécanisme proposé pour le transfert des QMM sur le marché d'échange a progressé cette année. Le comité spécial ayant pour tâche de mettre au point une proposition a présenté son rapport au CCGAL en mars dernier. Cette proposition est présentement en cours de révision pour de futures considérations.

Politique laitière nationale - Questions cruciales à l'étude

On se souviendra qu'après plusieurs années de désintéressement quant à la politique laitière, le gouvernement fédéral avait annoncé, en janvier 1986, l'instauration d'un programme à long terme effectif pendant cinq ans — engagement se terminant officiellement le 31 mars 1991. Les politiques laitières canadiennes ont été soumises à un examen très approfondi, principalement en raison de l'accord de libre-échange canado-américain et des négociations du GATT en cours. Ces dernières influeront sans doute à l'avenir sur l'aptitude du gouvernement à établir une politique laitière et, par conséquent, ont un impact direct et important sur l'industrie laitière dans son ensemble. La question des revenus des producteurs est un élément central de la politique intérieure et, de toute évidence, l'un des facteurs fondamentaux les plus influencés par la politique commerciale. Le système de fixation des prix du lait au Canada fait l'objet d'une révision depuis 1986 et on n'est pas encore parvenu à un résultat final.

En juillet 1989, le ministre de l'Agriculture annonçait la création du Groupe de travail national sur la politique laitière, formé de représentants de la Commission canadienne du lait, de la Fédération canadienne des producteurs de lait, du Conseil national de l'industrie laitière du Canada, de l'Association des consommateurs et du gouvernement fédéral. Son mandat est de réviser tous les éléments de la politique laitière existante, en prêtant une attention particulière à la réaction du marché, à l'indépendance sectorielle et à l'agriculture viable. Par des moyens généraux et ouverts au public, le Groupe de travail doit déterminer différentes options en vue d'une future politique à long terme. Les sujets à l'étude sont, notamment, la fixation des prix, les questions



commerciales, la réponse du marché, le contingentement, les structures législative et institutionnelle, les subventions et le rôle de la Commission canadienne du lait. Le Groupe est tenu de soumettre son rapport d'ici le 31 mars 1991.

Le ministre a également pressé le Groupe de travail d'examiner deux problèmes d'intérêt immédiat. Le premier se rattache à l'établissement de prix compétitifs pour des produits ayant subi une transformation ultérieure comme, par exemple, la pizza surgelée. Les tarifs encore en vigueur et les autres facteurs qui entrent en ligne de compte font que la fixation du prix du lait cru ne constituait pas le facteur primordial relativement à la compétitivité. Aucune démarche spécifique n'a donc été entreprise et ce problème reste à régler dans un contexte à plus long terme.

Le second problème concerne la fixation des prix dans les conditions normales de la concurrence. À la suite de l'engagement pris par le gouvernement envers le GATT, au printemps 1989, de ne pas augmenter le soutien à l'agriculture pour la durée des négociations, le rajustement des prix de soutien s'est trouvé entravé. Cet engagement s'est traduit par une modeste hausse de prix de 0,39 $/hl au 1er août 1989, mais ce profit a servi de contrepoids aux frais des programmes laitiers précédemment occasionnés par le transfert du gouvernement aux producteurs. Un certain nombre d'options concernant la fixation des prix dans les conditions normales de la concurrence ont été présentées au ministre.

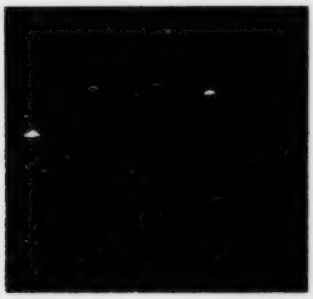
Conséquemment aux préoccupations engendrées par

was largely off-set by dairy program costs previously borne by the government being transferred to producers. A number of options on arms-length pricing were presented to the Minister.

As a result of the concern about direct cabinet involvement in changing support prices, and the inability of the producer side of the industry and the government to resolve a number of outstanding issues related to the pricing mechanism, there was no price adjustment on February 1, 1990. In an attempt to resolve the outstanding issues, the Canadian Dairy Commission engaged the consulting firm Deloitte and Touche to review the farm accounting surveys in each participating province. That firm was asked to determine the compliance of the surveys with CDC principles and guidelines; to identify significant differences among provincial methodologies; and to make recommendations where appropriate. The report was completed and tabled on June 26, 1990.

It was too late to incorporate the report's findings into the industrial pricing mechanism for August 1, 1990. Accordingly, the Minister authorized the CDC to establish support prices for August 1, 1990, without reference to cabinet, and to follow a costing methodology outlined in a letter from the Minister.

The CDC's new pricing authority only applies to price reviews for August 1, 1990, and February 1, 1991, in anticipation that a permanent process will be in place by August 1, 1991. On August 1, 1990, there was an increase of $1.24 per hectolitre in the target returns level for industrial milk.



As part of the process of transferring the responsibility for establishing support prices to the CDC, the role and make-up of the CDC's Consultative Committee was revised. With representatives from the producer, processor, retail, and consumer sectors, the Consultative Committee was delegated the responsibility to review and make recommendations on the price for industrial milk and the processor margin for the reviews on August 1, 1990, and February 1, 1991.

In the context of market responsiveness, and in an attempt to assist the butter market, the manner in which support price increases are allocated between butter and powder was reviewed. While it was deemed inappropriate to make any changes for August 1, 1990, this matter will be on the agenda in the year ahead.

A summary of events relating to National Dairy Policy would not be complete without reference to "Growing Together - A Vision For Canada's Agri-Food Industry". This is a comprehensive review of all agricultural policy, promoting what are now called the "four pillars" of agriculture - market responsiveness, self-reliance, recognition of regional diversity, and environmental sustainability. It is, in fact, this framework within which the Dairy Task Force and other commodity task forces are operating.

The final and perhaps most significant topic is the on-going GATT negotiations. While relatively little, in terms of immediate impact, transpired during the year, the negotiations moved towards a climax in December, 1990. The viability of supply management, as we know it, is highly dependent on the outcome of the GATT negotiations and, more specifically, the clarification of Article XI, to make it operationally effective. DFC and the industry worked extremely hard throughout the year to ensure that Canada took both a positive and supportive position in Geneva. The strength of the Canadian supply management system is that it works, as demonstrated over the past 20 years.

The fiscal year ended with a national lobby campaign designed to ensure that Members of Parliament understood not only how important Canada's National Dairy Policy is to dairy producers but also to the entire rural economy, including banks, local merchants, feed and equipment suppliers, veterinarians and others. Loss or deterioration of the dairy industry in Ontario or Canada would have a devastating impact on the rural economy. This message was reinforced through a national TV advertising campaign showing "the death of a dairy farm".

Milk Pricing - Modest Increases

Effective September 3, 1990, the Board increased the prices for Classes 1 and 2 milk by $2.50 per hectolitre, which represented a rise of 4.6 per cent. In making this decision, the Board reviewed the fluid pricing formula, the increase of on-farm cash costs and the downward pressure they were having on dairy farm incomes.

The fluid price increase was the first since May 1, 1988. Over that time period, the Canadian consumer price index rose by 10.9 per cent, more than twice the amount of the producer increase. As a result, consumers benefited from the improvements in dairy farmers' efficiency.

In terms of industrial milk, the federal target level of returns was increased by $1.24 per hectolitre, or 2.6 per cent, effective August 1, 1990. Accordingly, the Board increased its raw milk selling prices by the appropriate amounts for all the industrial milk classes. At the same time, the butterfat differential was increased to $0.6720. Once again, consumers derived

l'implication directe du cabinet dans la modification des prix de soutien et à l'impuissance du gouvernement et des producteurs à résoudre certaines questions reliées au système de fixation des prix, il n'y a eu aucun rajustement des prix le 1er février 1990. Dans une tentative pour régler ces questions, la Commission canadienne du lait a fait appel à la société d'experts-conseils Deloitte & Touche pour qu'elle révise les études de comptabilité agricole de chaque province intéressée. La société devait déterminer la bonne conformité des études avec les principes et recommandations de la CCL, identifier les différences importantes entre les diverses méthodologies provinciales et faire les recommandations adéquates. Le rapport a été présenté le 26 juin 1990.

Il était déjà trop tard pour inclure les conclusions du rapport au système de fixation des prix du lait de transformation prévu pour le 1er août 1990. Le ministre a donc autorisé la CCL à établir les prix de soutien sans se référer au cabinet, et à suivre une méthodologie des coûts qu'il a lui-même définie dans une lettre.

La nouvelle autorité de la CCL en matière de fixation des prix ne s'exerce qu'en regard des rajustements de prix du 1er août 1990 et du 1er février 1991, dans l'attente d'un procédé permanent, en place le 1er août 1991. Le 1er août 1990, il y a eu une légère augmentation de 1,24 $/hl au niveau des revenus d'objectif pour le lait de transformation.

Dans le cadre du transfert, en faveur de la CCL, de la responsabilité d'établir les prix de soutien, le rôle et la composition du comité consultatif de la CCL ont été révisés. Formé de représentants des producteurs, des transformateurs, des détaillants et des consommateurs, le comité consultatif s'est vu confier la tâche de revoir et de faire des recommandations sur le prix du lait de transformation et sur la marge accordées aux transformateurs en vue des rajustements du 1er août 1990 et du 1er février 1991.

En ce qui concerne la réponse du marché, et dans un effort pour favoriser le marché du beurre, la manière dont les augmentations des prix de soutien sont partagées entre le beurre et la poudre de lait a été revue. Bien que l'on n'ait pas jugé opportun d'effectuer des modifications à ce sujet pour le 1er août 1990, cette question sera traitée dans l'année qui vient.

Tout résumé des événements reliés à la politique laitière nationale serait incomplet sans référence à "Partenaires dans la croissance - une vision de l'industrie agro-alimentaire canadienne". Il s'agit d'une révision détaillée de toute la politique agricole et mettant en évidence ce que l'on appelle aujourd'hui les "quatre piliers" de l'agriculture : la réponse du marché, l'autonomie, la reconnaissance des diversités régionales et la soutenabilité environnementale. C'est en fait à l'intérieur de ces structures qu'oeuvrent le Groupe de travail sur la politique laitière et d'autres groupes de travail sur les produits de base.

Enfin, et c'est peut-être là le point le plus important, les négociations du GATT présentement en cours. Bien qu'elles n'aient eu qu'un impact immédiat relativement faible au cours de l'année, les négociations ont atteint leur point culminant en décembre 1990. La viabilité de la gestion des approvisionnements, comme nous le savons, dépend grandement de l'issue des négociations du GATT et plus particulièrement de la clarification de l'article XI. La FCPL et l'industrie ont travaillé d'arrache-pied toute l'année pour que le Canada adopte une position solidaire et positive à Genève. La force du système canadien de gestion des approvisionnements réside dans son efficacité, comme on l'a constaté ces 2 dernières décennies.

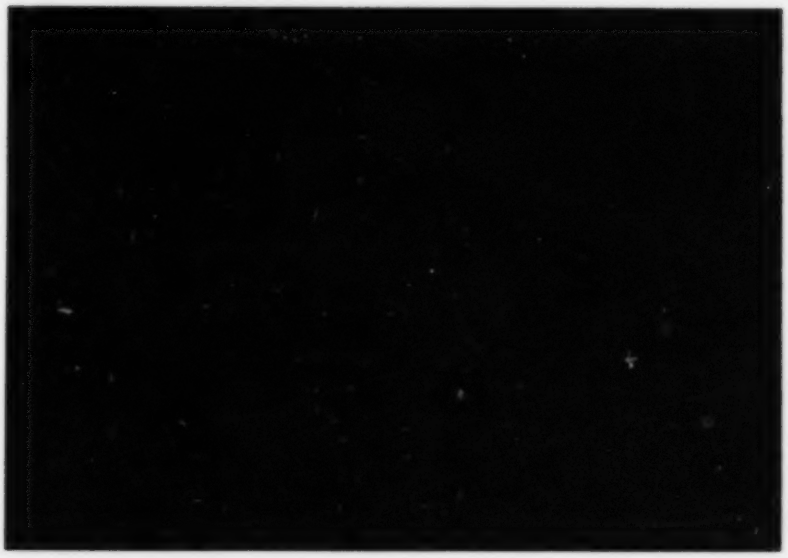
Le dernier exercice s'est terminé par une campagne nationale de pressions visant à faire comprendre aux députés à quel point la politique laitière nationale importe, non seulement aux producteurs, mais aussi à l'ensemble de la communauté rurale, incluant les banques, les marchands locaux, les fournisseurs alimentaires et d'équipement, les vétérinaires et tous les autres. La perte ou la dégradation de l'industrie laitière en Ontario ou au Canada aurait des conséquences désastreuses sur l'économie rurale. Ce message a d'ailleurs été renforcé par le biais d'une campagne de publicité télévisée montrant la "mort d'une ferme laitière".

Établissement du prix du lait - Augmentations modestes

À partir du 3 septembre 1990, l'OMMB a augmenté de 2,50 $/hl les prix du lait des classes 1 et 2, marquant une hausse de 4,6 %. En prenant cette décision, l'OMMB revoyait la formule de fixation des prix du lait de consommation, l'augmentation des coûts sur l'exploitation

significant benefit from rises in production efficiency by Ontario's milk producers. Over the previous four years, the producer target price for industrial milk rose by only 4.8 per cent compared to an increase of over 19 per cent in the Canadian consumer price index.

The prices at the end of the current year compared with the previous year are shown in the table on page 7.



Quotas and Quota Policy -
Some Significant Changes

During the last year, 9.57 per cent of Group I Pool quota and 10.75 per cent of the total MSQ was transferred among producers. These numbers are similar to other years.

Effective August 1, 1990, producers had their MSQ in litres converted to kilograms of butterfat based on their highest weighted average butterfat test in either the 1987/88 or 1988/89 dairy years. New producers who did not have a complete year of production had their MSQ converted on a temporary basis at the provincial average butterfat test, and will be given the next dairy year to establish a weighted average butterfat test to be used in a permanent conversion calculation. All producers were given the opportunity to request a reassessment of their individual situation respecting the butterfat test used.

Although several policies had to be changed to accommodate the new allocation method, the Board managed to make all changes without altering the original intent of the policies involved. No new policies were required as a result of the change to kilograms. Aside from the new allotment method and the related policy changes, the only other major change involved a new policy restricting transfers of MSQ between members of the immediate family. Under this policy, a producer who acquires MSQ from, or transfers MSQ to, a member of the immediate family will not be permitted to make any further MSQ transfers within the family for the remainder of the dairy year or in the following dairy year. This will reduce the year-end trading of MSQ between family members, and should stop the lateral transfer of MSQ through several related producers. The result will be to help restore the within family transfer policy to its original purpose - to facilitate primarily the generational transfer of a family farm.

The Board commenced the reporting of a daily production estimate on producers' monthly milk statements in September. The estimate shows how many litres per day must be marketed to fully utilize a producer's quota by the end of the dairy year. It is updated on a monthly basis. This initiative provides improved service to producers in planning production with respect to their quota holdings.

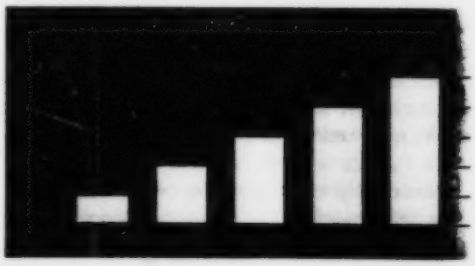
Fifty-three producers, including six who were already licenced milk producers shipping both milk and cream, participated in the third year of the cream-to-milk conversion program, operated jointly with the Ontario Cream Producers' Marketing Board.

Milk Quality -
High Standards Maintained

A penalty program for high somatic cell counts (SCC) was introduced on August 1, 1989, to complement the existing milk quality program which requires producers to market milk which has a low bacteria count, is free of inhibitors and excess water, and is produced on premises which meet stringent Grade A standards.

The SCC program was introduced with an SCC penalty level of 800,000. On August 1, 1990, the penalty level was decreased to 750,000. The goal is to have all herds in the province below 500,000 by 1995.

A Milk Quality Recognition Program, run jointly by



the Board and the Dairy Inspection Branch, continues to be made available to County Milk Committees on a voluntary basis to recognize, with certificates, those producers with above-average quality records. During the 1989 calendar year, 98.0 per cent of all counties/districts participated in the program, with 18.0 per cent of the producers in the province qualifying for a general certificate of merit and 8.0 per cent qualifying for a gold certificate.

et la pression à la baisse alors exercée sur les revenus des fermes laitières.

Cette hausse de prix du lait de consommation était la première depuis le 1er mai 1988. Dans l'intervalle, l'indice des prix à la consommation s'était accru de plus de 10,9 %, soit deux fois l'augmentation des prix des producteurs. Par conséquent, les consommateurs ont bénéficié des rendements améliorés des producteurs laitiers.

Pour ce qui est du lait de transformation, le niveau de revenu d'objectif fixé par le fédéral a été augmenté de 1,24 $/hl, ou 2,6 %, à partir du 1er août 1990. L'OMMB a donc majoré en conséquence les prix de vente du lait cru pour toutes les classes de lait de transformation. Simultanément, la différence de prix en fonction de la teneur en matière grasse a été augmentée à 0,6720 $. Une fois de plus, les consommateurs ont tiré avantage des rendements accrus des producteurs de l'Ontario. Ces quatre dernières années, le prix d'objectif du producteur n'a augmenté que de 4,8 %, comparativement à la hausse de plus de 19 % de l'indice des prix à la consommation.

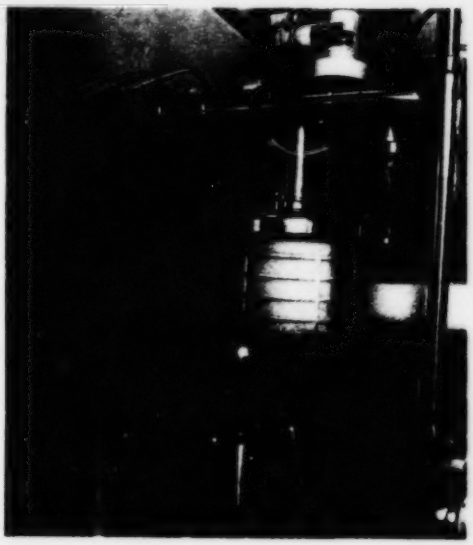
Les prix en vigueur à la fin du dernier exercice, accompagnés de ceux de l'année précédente, figurent au tableau de la page 7.

Quotas et politique de contingentement - Quelques changements importants

Pendant le dernier exercice, 9,57 % du quota du Pool de groupe 1 et 10,75 % du QMM provincial ont été transférés entre les producteurs. Ces chiffres sont semblables à ceux des années passées.

À partir du 1er août 1990, les producteurs ont vu leurs QMM, exprimés en litres, être convertis en kilogrammes de matière grasse, suivant leur plus haute moyenne pondérée de teneur en matière grasse pendant la campagne laitière 1987-1988 ou celle de 1988-1989. Les QMM des nouveaux producteurs qui n'avaient pas accompli une année entière de production ont été convertis temporairement, selon la moyenne provinciale pondérée de la teneur en M.G., et ils disposeront de toute la durée de la prochaine campagne laitière pour établir leur moyenne pondérée de M.G. qui sera utilisée de façon permanente dans les calculs de conversion. Ils ont tous eu la possibilité de demander une révision de leur situation individuelle, relativement à la teneur en M.G. utilisée.

Quoique plusieurs politiques aient dû être modifiées en raison de la nouvelle méthode d'attribution, l'OMMB y est parvenu sans trop altérer leur but premier. La conversion en kilogrammes n'a requis l'établissement d'aucune nouvelle politique. À part la nouvelle méthode d'attribution et les modifications aux politiques relatives, le seul autre changement d'importance se rapportait à une politique récente restreignant les transferts de QMM entre membres de la même famille. Selon cette politique, un producteur qui acquiert des quotas d'un membre de sa famille ou qui, au contraire, lui en cède, ne pourra plus effectuer aucun transfert à l'intérieur de sa famille pour le reste de la campagne laitière en cours ni pendant la prochaine. Cette disposition a pour but de réduire l'échange de quotas en fin de campagne entre membres d'une même famille et devrait mettre fin au transfert latéral de QMM par plusieurs producteurs apparentés. Le résultat obtenu sera donc de rendre à la politique des transferts à l'intérieur d'une même famille sa première raison d'être, qui est de faciliter essentiellement le transfert d'une ferme familiale d'une génération à l'autre.



L'OMMB a commencé, en septembre, à indiquer la production journalière estimée sur les relevés de lait mensuels des producteurs. Ces estimations montrent combien de litres de lait par jour doivent être mis en marché pour une pleine utilisation du QMM du producteur à la fin de la campagne, et elles sont mises à jour tous les mois. Cette initiative aide les producteurs dans la planification de leur production selon leurs QMM détenus.

Cette année, 53 producteurs ont participé au programme de conversion de la production de la crème à celle du lait en place pour la troisième année et administré conjointement par l'Office de mise en marché de la crème pour les producteurs de l'Ontario.

Qualité du lait - Normes élevées maintenues

Un programme de sanctions sur les comptes leucocytaires élevés a vu le jour le 1er août 1989 en complément du programme sur la qualité du lait déjà en place, lequel incite les producteurs à livrer du lait présentant un compte bactérien bas, ne contenant pas d'inhibiteurs ni d'excédent d'eau et étant produit dans un endroit qui répond aux exigences rigoureuses imposées par la catégorie A.

Le programme sur les comptes leucocytaires élevés fonctionne selon un niveau de sanctions fixé à 800 000 cellules somatiques. Le 1er août 1990, ce niveau a été abaissé à 750 000 pour arriver finalement à un niveau de moins de 500 000 dans tous les troupeaux de la province d'ici 1995.

Producer Services -
Efficiency Encouraged

The Board continued to offer an Udder Health Management Program on a fee-for-service basis (75 per cent cost recoverable) to advise producers on proper milking techniques and to check milking equipment to ensure that it is functioning properly. The program, in its ninth year, was used by 620 producers over the November, 1989, to October, 1990, period.

The Board continued its support of the Ontario Dairy Herd Improvement Corporation through a $0.03 per hectolitre check-off.

A major review of the Board's field service program was initiated during 1990 to ensure that the Board's field services representatives provide producers with effective service in a cost-efficient manner. As a result of the review, the province will be divided into eleven field zones in the future, two less than a year ago, and an action plan will be developed to implement a number of other recommendations to ensure that current and future needs of producers are adequately met.

Producer Pools -
No major changes

There were 9,117 licenced milk producers in Ontario in October, 1990, compared to 9,378 a year earlier. A total of 675 new producers (compared to 736 in the previous year) entered the industry in the past year - 515 through within-family transfers of quota, 35 through the purchase of on-going operations, 46 through the transfer of cream to milk and 79 establishing completely new operations.

A total of 93.0 per cent of producers held some Group 1 Pool quota, while 7.0 per cent held only MSQ.

In Southern Ontario, the percentage of Group 1 Pool shipments paid at top price varied from a high of 77.58 in March, 1990, to a low of 69.37 in July, 1990. The average payout for the year was 74.56 per cent, compared to 74.38 per cent a year ago.

The Graduated Entry Program, designed to allow qualifying industrial shippers a share of the top price fluid market continued in 1989/90 with 93 producers taking part. A total of 7,996 producers have taken advantage of the program since 1968 with 4,723 of these producers continuing to hold some Group I Pool Quota.

Milk and Cheese Marketing -
Several Reviews Took Place

The number of milk processing plants to which the Board marketed milk this past year declined by 5 to a total of 107. Of these, 43 were fluid plants and 64 were industrial plants or receiving stations.

Throughout this past year, the Board continued to market its industrial milk supplies in accordance with the milk supply allocation policy established some five years ago. Although this program has allowed the Board to efficiently and equitably allocate the industrial milk supplied over the years, the Board recognizes that such programs must continually be reviewed, in order to respond to an ever-changing market.

As part of that process, the OMMB and industry representatives have formed several joint committees, the intention being to review current programs and policies.

One of these committees is currently examining the Board's milk supply allocation policy to determine whether it can be amended, to better reflect current market conditions.

The second committee has been investigating the feasibility of processors purchasing their raw milk supplies based on measurements obtained by volumetric metering and sampling systems. Since its beginning, this committee has met on approximately thirteen different occasions in an attempt to develop acceptable guidelines for the implementation of such a

concept. It is expected that this committee will be in a position to present its proposals to the Board and the processing industry early in the new year.

The Board expressed serious concerns regarding the impact that the introduction of a 1.0 per cent milk would have on producer incomes because of the resulting additional skim-off. However, 1.0 per cent milk was introduced on May 1, 1990, and by July it had reached over 3.0 per cent of the fluid milk market.

In August, 1990, the price of cheddar cheese on the Belleville Exchange increased by 15.6 cents per kg. to $5.381 following the increase in the target returns for industrial milk.

During this past year, the Board continued to operate its cheese warehouse in Belleville. Cheese being held in storage at the year-end was down slightly, a reflection of the fact that the average utilization of the warehouse for the entire year was lower by some 5.0 per cent, compared to the previous year. The Cheese Exchange at Belleville continued to operate on an every-second-week schedule throughout the year. Sales over the exchange were about 18.0 per cent lower than a year earlier.

Un programme de reconnaissance de la qualité du lait, administré conjointement par l'OMMB et par la Direction de l'inspection des produits laitiers (DIPL), est toujours à la portée des comités laitiers de comté qui désirent, par des certificats, distinguer les producteurs dont la production est de qualité supérieure à la moyenne. Pendant l'année 1989, 98 % des comtés ont participé au programme, 18 % des producteurs de la province se qualifiant pour un certificat général et 8 % pour un certificat d'or.

Services aux producteurs -
Encouragement au rendement

L'OMMB a continué d'offrir son Programme pour la santé du pis moyennant honoraires (coût récupérable à 75 % visant à conseiller les producteurs sur les pratiques de traite adéquates et sur la vérification du matériel de traite en vue de son bon fonctionnement. Dans la période allant de novembre 1989 à octobre 1990, 620 producteurs ont adhéré au programme, qui en est à sa neuvième année.

D'autre part, l'OMMB a encore apporté son soutien à la Société ontarienne pour l'amélioration du troupeau laitier en lui versant une contribution de 0,03 $/hl.

Une révision complète du service en région offert par l'OMMB a été commencée en 1990 afin de vérifier que les représentants régionaux de l'OMMB procurent aux producteurs un service efficace, à des coûts raisonnables. Ainsi, la province sera désormais divisée en 11 zones, deux de moins qu'il y a un an, et l'on élaborera un plan d'action pour la mise en application d'un certain nombre de recommandations ayant pour objet la réponse aux besoins présents et futurs des producteurs.

Pools des producteurs -
Pas de grands changements

En octobre 1990, l'Ontario comptait 9117 producteurs titulaires de permis, contre 9378 un an plus tôt. Au cours de l'exercice, 675 nouveaux producteurs se sont lancés dans l'industrie, en regard de 736 pour l'exercice précédent; 515 d'entre eux sont devenus producteurs par le truchement de transferts de quota dans la famille, 35 par l'acquisition d'exploitations en marche. Parmi les autres 46 le sont devenus en passant de la production de la crème à celle du lait et 79 en fondant leur propre exploitation.

Sur l'ensemble des producteurs, 93,0 % détenaient des quotas du Pool de Groupe 1, tandis que 7,0 % ne détenaient qu'un QMM.

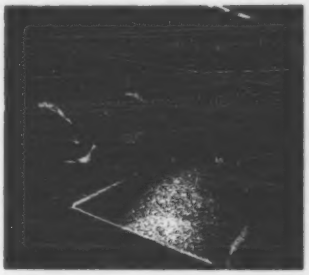
Dans le sud de l'Ontario, le pourcentage des livraisons du Pool de Groupe 1 payées au prix fort a varié d'un plafond de 77,58 en mars 1990, à un plancher de 69,37 en juillet 1990. En moyenne, les paiements pour l'exercice ont été de 74,56 %, comparés à 74,38 % il y a un an.

Le programme d'admission graduelle, qui permet aux producteurs de lait de transformation répondant aux conditions d'obtenir une part du marché du lait de consommation au prix fort, s'est poursuivi en 1989-1990; 93 producteurs y ont participé. En tout, 7996 producteurs ont bénéficié de ce programme depuis 1968, 4723 d'entre eux détenant toujours un quota du Pool de Groupe 1.

Lait de transformation et fromage -
Plusieurs révisions effectuées

Le nombre d'usines desservies par l'OMMB a diminué de cinq au cours de l'exercice pour s'établir à 107; sur ce nombre, 43 sont des usines traitant le lait de consommation et 64 sont des usines de transformation ou des stations de transfert.

Au cours de l'exercice, l'OMMB a continué à mettre en marché les approvisionnements de lait de transformation selon la politique d'attribution des approvisionnements établie il y a cinq ans. Bien que ce programme lui ait permis de faire une répartition rationnelle et juste des approvisionnements de lait de transformation, l'OMMB reconnaît que de tels programmes doivent continuellement être révisés pour répondre à un marché sans cesse changeant.



Ainsi, des représentants de l'OMMB et de l'industrie ont formé plusieurs comités reliés ayant pour fonction la révision des programmes et des politiques en vigueur.

L'un de ces comités revoit présentement la politique d'attribution des approvisionnements aux transformateurs afin d'apporter les modifications qui s'imposent pour qu'elle reflète les conditions actuelles du marché.

Le second comité étudie la possibilité pour les transformateurs d'acheter leurs approvisionnements de lait cru en mesures obtenues par des méthodes d'échantillonnage et de comptage volumétrique. Depuis la

création de ce comité, ses membres se sont rencontrés à environ 13 reprises, avec l'intention d'élaborer des recommandations acceptables en vue de l'exécution d'un tel concept. Le comité devrait être disposé à soumettre ses propositions à l'OMMB et à l'industrie de transformation dès le début de la nouvelle année.

L'OMMB a exprimé ses inquiétudes quant à l'impact que cela aurait sur les revenus des producteurs en raison de l'écrémage additionnel produit. Toutefois, le lait 1 % a été introduit le 1er mai 1990 et en juillet, il accaparait déjà plus de 3 % du marché du lait de consommation.

En août 1990, le prix du cheddar sur le marché de fromage (Cheese Exchange) de Belleville a augmenté de 0,156 $/kg pour se situer à 5,381 $ suite à la hausse des

The Board's interest in the operation of a cheese warehouse was drawing to a close at year-end, when, after several months of negotiations, the Board was able to reach a conditional agreement on the sale of the warehouse, with a closing date for the sale being November 15, 1990.

Transportation -
Input Costs Rise

During the past year, the effect of rising interest rates on transportation costs has been evident through increases in the pool transportation charges. Further increases in costs are expected this year as a result of rising fuel prices. In the past two years, interest rates have increased approximately 35.0 per cent from 10.54 per cent in 1987/88 to 14.25 per cent in 1989/90. During the past few months, fuel prices have increased nearly 25 per cent with the possibility of still further increases.

In the past, the Board has been able, through improved transporter efficiency, to offset some of the inflationary cost increases each year. This has not been the case this year. In the 1989/90 fiscal year, the total cost of transporting milk was $51.52 million which represents an increase of 5.21 per cent from the cost in the previous year. In the past twelve months ending October, 1990, the Southern Ontario pool charge increased by $0.19 per hectolitre to $2.07 per hectolitre. The Northern Ontario pool charge increased $0.25 per hectolitre to $2.50, the Thunder Bay pool charge increased by $0.15 per hectolitre to $1.90, and the Kenora Rainy River pool charge decreased by $0.20 per hectolitre to $3.45 per hectolitre. It is evident from the accompanying table that this year's increase in transportation costs exceeds the increase in the Ontario consumer price index for the same period.

As a result of plant amalgamations and shifts in milk production areas, the Board is having to haul milk further. During the past year, the Board has intensified its efforts to reduce the total number of kilometres driven by transporters. A routing project is underway which will examine the existing routes of each and every transporter, making improvements where warranted.

Many efficiencies with respect to routing cannot be realized because of constraints either at processing plants or at producers' farms. The Board will begin to focus more on these constraints in the next few years and will have to investigate every cost area with an aim to minimizing transportation cost increases.

Again this year, the Board wishes to acknowledge the dedication and professionalism of the bulk milk grader/drivers in carrying out their responsibilities in sometimes less than ideal conditions.

Planning and Research -
Several New Initiatives

Planning initiatives in 1990 were mainly directed toward the development of a Strategic Plan for the early 1990s. A draft of the Strategic Plan was circulated to industry stakeholders late in the year, and at year-end the Board was in the process of receiving feedback and input from various interested parties. County Milk Committees were provided with an opportunity for input into the Plan through discussion group sessions at the 1990 Geneva Park Conference. It was anticipated that the Strategic Plan would be finalized in 1991.

A re-defined mission statement, a set of operating principles or values, and a strategic direction for each of the key issues facing the Board form the basis of the Plan. The Board is confident the Plan will play a vital role in ensuring that the challenges and issues facing the industry in the early 1990s are proactively addressed.

Multiple component pricing (MCP) also received on-going attention. The conversion of MSQ from litres of milk to kilograms of butterfat on August 1, 1990, was viewed as an integral part of a move to MCP. The Board's previously announced target date for the implementation of MCP remained as August 1, 1991.

Efforts continued toward seeking a consensus on the MCP approach to be taken at the national level. Board personnel participated in several discussions toward this end. Discussions also took place with the Ontario Dairy Council to solicit the support of processors for the implementation of MCP.

The Pricing Sub-Committee, made up of Board, processor and government representatives, submitted its final report in June. The majority of the recommendations put forth in that report were carried forward to the MCP proposal.

The Board continued to play an active role in the initiative to foster closer communication, co-operation and co-ordination among dairy producer organizations in the province. A second conference was held in November, 1989, to build on the activities which had

revenus d'objectif pour le lait de transformation.

L'OMMB a maintenu son entrepôt de fromage à Belleville pendant l'exercice. En fin d'année, les stocks de fromage étaient légèrement moins élevés, du fait d'une moins grande utilisation de l'entrepôt, laquelle a diminué de 5 % en moyenne au cours de l'exercice. L'OMMB a aussi continué d'exploiter le marché de fromage à Belleville, qui est ouvert toutes les deux semaines. Ce marché a enregistré des ventes d'environ 18 % inférieures à celles de l'exercice précédent.

L'OMMB, dont l'exploitation de l'entrepôt de fromage se terminait en fin d'exercice, est parvenu, après plusieurs mois de négociations, à un accord conditionnel sur la vente de l'entrepôt, dont la date d'effet a été fixée au 15 novembre 1990.

Transport -
Augmentation du coût des intrants

Pendant l'année, l'effet des taux d'intérêt croissants sur les coûts de transport a été clairement observable par l'augmentation des frais de transport dans les différents pools. D'autres hausses des coûts sont à prévoir cette année suite à l'augmentation des prix du carburant. Ces deux dernières années, les taux d'intérêt ont monté d'environ 35 %, passant de 10,54 % en 1987-1988 à 14,25 % en 1989-1990. Les prix du carburant ont augmenté de près de 25 % ces derniers mois, et cette tendance à la hausse pourrait se poursuivre.

Par le passé, l'OMMB a pu, par une meilleure efficacité des transporteurs, contrebalancer une certaine partie des coûts inflationnistes chaque année. Cela n'a pas été le cas cette année. Pendant l'exercice 1989-1990, le coût global de transport du lait a été de 51,52 M$, marquant une hausse de 5,21 % par rapport au coût de l'an passé. Dans la période de 12 mois se terminant en octobre 1990, les frais de transport dans le Pool du sud de l'Ontario ont augmenté de 0,19 $/hl, pour se fixer à 2,07 $/hl. Dans le Pool du nord de l'Ontario, les frais ont augmenté de 0,25 $/hl, s'établissant à 2,50 $. Dans le Pool de Thunder Bay, on note une hausse de 0,15 $/hl, pour un total de 1,90 $ tandis que dans le Pool de Kenora-Rainy River, il y a eu une diminution de 0,20 $, fixant les frais à 3,45 $/hl. Le tableau des coûts de transport permet de constater que les hausses enregistrées cette année sont bien supérieures à l'augmentation de l'indice des prix à la consommation pendant la même période.

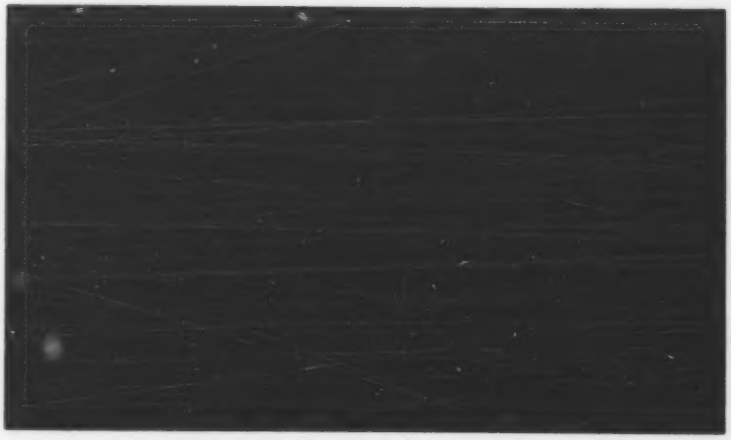
À la suite de fusions d'usines et de changements dans les domaines de la production laitière, l'OMMB se voit obligée de transporter le lait plus loin. Au cours de l'exercice, on a intensifié les efforts pour réduire le nombre total de kilomètres parcourus par les transporteurs. À cet effet, on étudie, dans le cadre d'un projet d'acheminement, les différents itinéraires de tous les transporteurs afin d'apporter les améliorations nécessaires.

Plusieurs projets d'amélioration de l'acheminement ne peuvent être réalisés à cause de contraintes aux usines de transformation ou dans les exploitations des producteurs. L'OMMB se penchera davantage sur ces contraintes dans les prochaines années et examinera chaque secteur de dépenses dans le but de minimiser les augmentations des coûts de transport.

L'OMMB tient encore cette année à souligner le zèle et le professionnalisme avec lesquels les conducteurs-classeurs du lait en vrac exercent leurs fonctions dans des conditions quelquefois moins qu'idéales.

Planification et recherche -
Nouvelles initiatives

La planification de nouvelles initiatives en 1990 a surtout porté sur l'élaboration d'un plan stratégique pour le début des années 90. Les principaux intéressés de l'industrie ont reçu, vers la fin de l'exercice, l'ébauche de ce plan, et en fin de campagne, l'OMMB recueillait les réactions et la collaboration de plusieurs des parties concernées. Les comités laitiers de comté ont pu apporter leur contribution au plan par des séances de discussion en groupes à la conférence de Geneva Park de 1990. La version définitive du plan stratégique devrait être terminée en 1991.



Un énoncé de mission redéfini, un ensemble de valeurs ou de principes opérationnels et une direction stratégique pour chacune des questions clé auxquelles fait face l'OMMB constituent la base du plan. L'OMMB est persuadée que ce plan jouera un rôle essentiel dans la façon dont l'industrie abordera les problèmes et relèvera les défis au début de la nouvelle décennie.

Le sujet du paiement du lait en fonction de ses composants (PLC) a aussi retenu l'attention. La conversion des QMM (autrefois exprimés en litres de lait) en kilogrammes de matière grasse le 1er août 1990 a été vue comme un facteur important menant au PLC. La date précédemment annoncée par l'OMMB pour la mise en application du PLC demeure fixée au 1er août 1991.

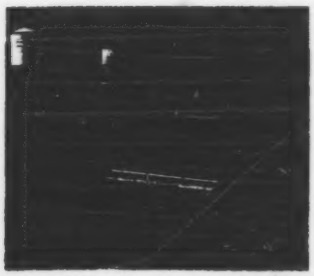
Les efforts déployés pour arriver à un accord général sur la manière d'aborder le PLC à l'échelon national se sont d'ailleurs poursuivis. Le personnel de l'OMMB a participé à de nombreuses discussions sur ce point. Le Conseil de l'industrie laitière de l'Ontario s'est joint aux débats afin de solliciter le soutien des transformateurs pour la mise en application du PLC.

Le sous-comité sur le PLC, composé de représentants de l'OMMB, des transformateurs et du gouvernement, a

been initiated in the previous year.

As a result of the 1989 Conference, a Council of Chairmen was created to provide a forum for discussion and consideration of issues and to generally give leadership and direction to the industry. Mr. Grant Smith was asked to be the founding Chairman of the Council of Chairmen.

In the area of research, the Board is pleased to report that Dr. Mansel Griffiths was appointed to the Dairy Science Research Chair in Microbiology being sponsored by the OMMB at the University of Guelph. Dr. Griffiths came to the position from the Hannah Research Institute in Ayr, Scotland. An Advisory Committee with University and industry representation has been established. It is expected to help set the direction of the research program to be undertaken by the Chair and to monitor its progress.



Other research support involved a continued commitment to the Grants-In-Aid program to the Ontario Agricultural College and the Ontario Veterinary College at the University of Guelph as well as additional support targetted to specific projects on the effectiveness of advertising, nocardia mastitis, and oxidized milk.

Legal -
A busy year

A legal challenge was resisted by the Board and the Provincial Government in regard to the requirements for margarine colouring. A favourable decision ensures butter and margarine can be readily distinguished in the marketplace on the basis of colour. This is believed to be a very significant factor in helping butter maintain a better share of the spread market in Ontario.

Another important court case concerned milk quotas. It was confirmed that quotas are the property of the marketing board and this decision ensured that the Board's authority over various quota policies would not be prejudiced.

At the direction of the Ontario Farm Products Appeal Tribunal, an inquiry was held in early summer, by the Ontario Farm Products Marketing Commission into the Board's activities in regard to bovine somatotropin (BST). The Commission's Inquiry Report established that the Board's activities with BST were proper. The Report offered recommendations which are to be addressed.

A further legal issue of significance concerned the special charge to those producers (about 90) who do not wish to have their milk picked up on Sundays. An Inquiry Board under Ontario's Human Rights Code ruled that milk producers who qualify for No-Sunday pickup should not have to pay the special charge to cover the extra costs involved, but rather the extra costs should be covered by all producers and/or society in general. Accordingly, the Board eliminated the special charge as of October 1, 1990.

Market Expansion Activities -
Challenging Times

For the second consecutive year, it was a time to "run fast" just to maintain sales, as far as fluid milk promotion was concerned. Adverse market conditions, due to a wide variety of factors, continued to plague the Board's advertising and promotion efforts. Ontario's fluid milk sales however, remained stable, while performance in most other Provinces was downward.

About half of the Board's fluid milk promotion budget of $9.5 million continued to be spent on mass media including T.V. advertising with specific groups of the population being targetted. A new strategy for young adults and adults, based on energy/nutrient, was a noteworthy introduction towards the end of the year.

New programs were also developed and introduced for the ingredient campaign and elementary schools. An extensive communications program on nutrition was continued, with several new ventures being launched. Further details of these programs are provided in the special section towards the end of this Annual Report.

The Dairy Bureau of Canada, which carries out promotional programs for "industrial" milk products on a national basis, continued to place priority on promoting butter and cheese.

Ontario dairy farmers contributed $7.8 million towards the Bureau's budget of $26.3 million in 1989/90.

The increasing consumer trend towards the consumption of low-fat products has taken its toll on traditional dairy products, especially butter. This development, which is worldwide, requires aggressive promotion campaigns in Canada if the size of the dairy industry is not to be drastically reduced.

Other programs operated by the Bureau involve scientific research, nutrition, fairs/exhibits and the dairy case training program. Further information is given in the special section later on.

Board/Industry Relations -
Considerable Activity

The high level of activity relating to the trade negotiations meant that communicating information to producers and the general public about international trade issues continued to be the dominant effort this past year. Letters to producers, trade information to County and District Milk Committees, special meetings, responses to media and academics all formed part of the communications program to present the milk producer point of view. Milk producers provided valuable and credible support to the cause through lobby efforts and by responding to politicians, media and others through personal discussions, meetings, telephone calls and letters.

The Board published a French version of its "From Moo to You" program, a ten-unit kit on milk and dairy

soumis son rapport final en juin. La plupart des recommandations émises dans ce rapport ont été reportées à la proposition sur le PLC.

L'OMMB a continué de jouer un rôle actif dans le projet visant à encourager une communication, une coopération et une coordination meilleures parmi les organismes des producteurs laitiers de la province. Une seconde conférence a eu lieu en novembre 1989, pour ajouter les travaux commencés l'année précédente.

Le colloque de 1989 a été suivi de la création d'un Conseil des présidents qui constitue un genre de tribune où l'on étudie et discute certains points, et qui sert de guide général à l'industrie. On a désigné M. Grant Smith comme président fondateur du Conseil.

Dans le domaine de la recherche, l'OMMB a le plaisir d'annoncer la nomination du docteur Mansel Griffiths à la chaire de recherche en sciences du lait en microbiologie, tenue à l'université de Guelph et appuyée financièrement par l'OMMB. M. Griffiths occupait auparavant un poste au Hannah Research Institute à Ayr, en Écosse. Des représentants de l'université et de l'industrie ont formé un comité consultatif devant servir à orienter le programme de recherche qui sera entrepris par la chaire et à surveiller ses progrès.

L'OMMB a accordé un soutien financier à d'autres recherches; il a continué de verser des subventions au Collège vétérinaire de l'Ontario et au Collège d'Agriculture de l'Ontario à l'université de Guelph, ainsi qu'à des projets spécifiques portant sur l'efficacité de la publicité, sur la mammite nocardia et sur le lait oxydé.

Considérations d'ordre légal -
Une année très chargée

L'OMMB et le gouvernement provincial ont été solidaires juridiquement quant à l'ajout de colorant dans la margarine. Une décision favorable assurant que le beurre et la margarine peuvent être facilement distingués par leur couleur dans le marché est vue comme un facteur très important pour le maintien d'une meilleure part du beurre sur le marché des tartinades en Ontario.

Un autre important cas juridique concernait les quotas du lait. Il a été déclaré que ceux-ci sont la propriété de l'Office de mise en marché, décision qui confirme que l'autorité de l'OMMB en matière de politique de contingentement n'est pas influencée par des préjugés.

À la demande de la Commission d'appel pour les produits agricoles de l'Ontario, une enquête a été conduite au début de l'été par la Commission de commercialisation des produits de ferme au sujet des activités de l'OMMB impliquant l'utilisation de la somatotropine bovine (BST). Le rapport d'enquête de la Commission a établi que les actes de l'OMMB sont hors de tout soupçon; il contenait par ailleurs des recommandations dont l'on tiendra compte.

Une autre question légale d'importance portait sur un paiement spécial imposé aux producteurs (environ 90) qui ne désirent pas que leur lait soit collecté le dimanche. Un comité d'enquête selon le Code des droits de la personne de l'Ontario a déclaré que cette somme spéciale destinée à couvrir les frais supplémentaires encourus ne devrait pas être versée par les producteurs admissibles à la non-collecte le dimanche mais plutôt par l'ensemble des producteurs et de la société. Par conséquent, l'OMMB a aboli ce paiement spécial le 1er octobre 1990.

Expansion du marché -
Une année remplie de défis

Pour la deuxième année consécutive, on a dû mettre les bouchées doubles dans le domaine de la promotion du lait de consommation pour maintenir les ventes. Des conditions défavorables de marché entraînées par divers facteurs ont continué de nuire aux efforts de promotion et de publicité de l'OMMB. Les ventes de lait de consommation en Ontario sont toutefois demeurées stables tandis que celles des autres provinces ont connu des baisses.

Environ la moitié du budget de 9,5 M$ de l'OMMB pour la promotion du lait de consommation a continué d'être consacrée à la publicité télévisée, laquelle visait plus particulièrement certains groupes de la population. Une nouvelle stratégie touchant les jeunes adultes et les adultes, fondée sur la teneur en énergie et en éléments nutritifs, a été un apport digne de mention vers la fin du dernier exercice.

On note aussi l'instauration de nouveaux programmes pour la campagne sur l'alimentation et les écoles élémentaires. Un programme complet de communication sur la nutrition s'est poursuivi et plusieurs nouvelles entreprises ont été lancées. De plus amples renseignements sur ces programmes sont donnés dans la section spéciale à la fin du présent rapport annuel.

Le Bureau laitier du Canada, qui dirige différents programmes promotionnels pour les produits laitiers "de transformation" sur une base nationale, a mis comme par le passé la priorité sur la promotion du beurre et du fromage.

La contribution des producteurs laitiers ontariens a été de 7,8 M$ en regard du budget de 26,3 M$ du Bureau en 1989-1990.

La tendance croissante vers les produits allégés a considérablement affecté la consommation de produits laitiers traditionnels, celle du beurre en particulier. Cette réalité, d'étendue mondiale, demande des campagnes de promotion agressives au Canada si l'on veut éviter une dégradation de l'industrie laitière.

D'autres programmes dirigés par le Bureau touchent la recherche scientifique, les foires et les expositions, et la formation sur la manutention des produits laitiers dans les magasins. On trouvera plus de détails à ce sujet à la fin du rapport.

Relations de l'OMMB avec l'industrie -
Activité considérable

Le fort taux d'activités reliées aux négociations du commerce a confirmé que le fait de communiquer de l'information aux producteurs et au grand public sur des questions reliées au commerce mondial a fait l'objet de nombreux efforts pendant l'exercice. Des lettres aux

farming complete with poster and study guides for students in Grades four to six. All schools in Ontario with Grades four to six have received copies of "From Moo to You" and efforts are being made to promote and encourage its use.

The Ontario Milk Producer magazine continues to be a key vehicle to provide important information to all milk producers. The magazine gave extensive coverage of international trade issues and continues to be the most important communication link to Ontario milk producers and other industry stakeholders.

Producer Licence Fees -
Up for Promotion and Administration

A summary of deductions made over the past five years to cover administration, promotion, the Dairy Science Chair and the contribution to the Ontario DHI Corporation, is provided in a table on page 17. The use of licence fee income in the last year is illustrated below.

An increase of $0.07 per hectolitre in the total licence fee was mainly due to a higher check-off for market expansion activities, while administration accounted for $0.02 of the higher fee.

Information Systems Division -
New Division Established

In early 1990, after due consideration , the Board decided that the interests of the organization would be better served by establishing the computer department as a separate division. It had formerly operated as part of the Finance Division. The staff of 11 are now responsible to the Director of the newly created Information Systems Division. The Division operates the Board's mainframe computer and provides the data requirements and computer support services for all other divisions. The change was made in recognition of the growing complexity of this field and the importance of the services provided to the organization.

The Board and Its Staff -
New Chairman, and General Manager Retires

There were no changes in the membership of the Board in the year under review. In elections conducted by the Ontario Farm Products Marketing Commission, Messrs. Paul Henderson (Region 2), Gordon Coukell (Region 6) and Bruce Whale (Region 10) were all returned by acclamation to the Board. Each of the above Members will serve on the Board for a further term of four years commencing January, 1990.

Mr. Grant Smith declared his intention not to seek another year as Chairman of the Board, and Mr. John Core was elected Chairman for the year commencing January, 1990.

During the past year, the Board held meetings each month occupying a total of 32 days. Board Members also spent numerous days attending various committee meetings, as well as maintaining contact with local Milk Committees, producers and industry organizations.

At year end, there were 116 people on the Board's permanent staff, with 83 located at head office, including five regional marketing staff.

Mr. Lorne Hurd retired as General Manager of the Board, on October 31, 1990, and Mr. Ken Smith was appointed General Manager effective November 1, 1990.

On behalf of milk producers, the Board extends its thanks for the loyalty and effort to all staff members in support of producers.

Members of all the County and District Milk Committees provided their customary input and assistance, for which the Board is very grateful.

In conclusion, the Board expresses its thanks for the advice, support and co-operation provided by all sectors of the dairy industry, including Government and University personnel.

Signed on behalf of the Board,

John Core
Chairman

Harry Parker
Secretary to the Board

producteurs, de l'information dispensée aux comités de comté, des réunions spéciales, des réponses aux médias et aux professeurs, tout cela faisait partie d'un programme de communication visant à présenter le point de vue des producteurs laitiers. Ceux-ci ont apporté un soutien apprécié à la cause par des efforts de pression et en répondant aux politiciens, aux médias et aux autres au moyen de discussions personnelles, de rencontres, d'appels téléphoniques et de lettres.

Le programme de l'OMMB "Le lait... de l'étable à la table", divisé en 10 parties, porte sur le lait et l'exploitation laitière; on y joint une affiche et des guides d'étude pour les élèves de la quatrième à la sixième année. Toutes les écoles offrant ces niveaux ont reçu des copies de "Le lait... de l'étable à la table" et l'on encourage activement son utilisation.

Le magazine Ontario Milk Producer demeure un important organe d'information pour les producteurs. Il a couvert de façon exhaustive la question du commerce international et continue de s'affirmer comme un moyen essentiel de communication avec les producteurs de lait et les autres principaux intéressés de l'industrie.

Droits d'acquisition des permis de production - Majoration due à la promotion et à l'administration

On trouvera en page 17 un tableau quinquennal des retenues effectuées pour couvrir les frais d'administration et de promotion, le financement de la chaire en sciences du lait, ainsi que la contribution à la Société ontarienne pour l'amélioration du troupeau laitier (ODHIC). L'utilisation du revenu tiré des droits d'acquisition de permis au cours du dernier exercice est illustrée en page ci-bas.

La majoration de 0,07 $/hl des droits d'acquisition totaux est principalement due à des retenues plus élevées pour l'expansion du marché, l'administration comptant pour 0,02 $ dans la hausse des droits.

Division de l'informatique - Nouvelle division

Au début des années 90, après mûre réflexion, l'OMMB a décidé qu'il serait opportun d'établir séparément la Division de l'informatique, laquelle faisait auparavant partie de la Division des finances. Son personnel, composé de 11 personnes, rélève maintenant du directeur de la nouvelle Division de l'informatique. Cette division a la charge de l'unité centrale de l'OMMB et procure les données et les services informatiques utiles aux autres divisions. Ce changement a été institue en raison de la complexité croissante de ce secteur et de l'importance des services qu'il fournit à l'organisme.

L'OMMB et son personnel - Nouveau président et retraite du directeur général

Au cours du dernier exercice, il n'y a eu aucun changement au sein des membres de l'OMMB. Lors d'élections menées par la Commission de commercialisation des produits agricoles de l'Ontario, MM. Paul Henderson (région 2), Gordon Coukell (région 6) et Bruce Whale (région 10) ont tous été réélus sans opposition. Le mandat de ces membres est d'une durée de quatre ans à partir de janvier 1990.

Monsieur Grant Smith a annoncé son intention de ne pas solliciter un autre mandat en tant que président de l'OMMB; M. John Core a été élu pour occuper ce poste pour l'année commençant en janvier 1990.

Au cours de l'exercice, l'OMMB s'est réuni tous les mois, ce qui représente un total de 32 jours. De plus, les membres ont passé beaucoup de temps à assister aux réunions de divers comités et à garder contact avec les comités laitiers régionaux, les producteurs et les organismes de l'industrie.

À la fin de l'exercice, le nombre d'employés permanents de l'OMMB s'élevait à 116; de ce nombre, 83 travaillaient au siège social, y compris les membres du bureau régional de mise en marché.

Monsieur Lorne Hurd a quitté le 31 octobre 1990 son poste de directeur général de l'OMMB pour prendre sa retraite et M. Ken Smith a été nommé pour le remplacer dans ces fonctions à partir du 1er novembre 1990.

Au nom des producteurs de lait, l'OMMB désire remercier sincèrement tous les membres de son personnel pour la loyauté et les efforts qu'ils ont investis dans leur soutien aux producteurs.

L'OMMB tient aussi à exprimer sa reconnaissance aux membres des comités laitiers de comté et de district pour leur appui précieux.

Pour conclure, l'OMMB offre ses remerciements à tous les secteurs de l'industrie laitière, y compris les services gouvernementaux et universitaires, pour l'aide et les conseils qu'ils lui ont prodigués.

Au nom de l'OMMB,

Le président,
John Core

Le secrétaire,
Harry Parker

Balance Sheet

October 31, 1990,
with comparative figures for 1989

The Ontario Milk Marketing Board

Assets	**1990**	1989
Current assets		
Cash and short-term investments	$ 16,674,011	$ 17,002,392
Accounts and bills receivable	100,349,791	94,348,368
Quota inventory (note 1)	297,773	1,260,218
Prepaid expenses	420,458	458,472
	117,742,033	**113,069,450**
Other assets		
Bonds and investment certificates, at cost (market value 1990, $340,515; 1989, $367,411)	361,375	361,375
Shares of producer co-operatives, at cost or less	131	131
Deferred pension costs (Note 13)	297,000	-
	658,506	**361,506**
Fixed assets (note 2)		
Land	508,370	508,370
Buildings	2,521,117	2,521,117
Warehouse equipment	368,031	329,536
Office furniture and fixtures	1,127,339	1,136,642
Computer equipment	1,745,912	1,565,806
Automobiles and truck	310,466	269,964
	6,581,235	6,331,435
Less accumulated depreciation	3,619,916	3,199,254
	2,961,319	**3,132,181**
	$121,361,858	**$116,563,137**

Approved by the Board

Chairman

Vice-Chairman

Auditors' Report

To the Members of The Ontario Milk Marketing Board

We have audited the balance sheet of The Ontario Milk Marketing Board as at October 31, 1990 and the statements of market expansion funds, quota exchange funds, dairy science research chair fund, income and retained income, details of grants and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at October 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Toronto, Canada
December 10, 1990

Peat Marwick Thorne
Chartered Accountants

Liabilities, Funds and Surplus	1990	1989
Current liabilities		
Accounts payable and accrued liabilities (note 3)	**$114,655,452**	**$110,018,674**
Funds		
Market expansion	303,127	15,410
Quota exchange	534,386	440,153
Dairy Science Research Chair	248,471	208,444
Wm. A. Stewart Fellowship (note 4)	46,936	46,065
	1,132,920	**710,072**
Surplus		
Contributed surplus	**1,390,126**	**1,390,126**
Retained income	**4,183,360**	**4,444,265**
	5,573,486	**5,834,391**
	$121,361,858	**$116,563,137**

Notes

1. Group 1 Pool quota and market-sharing quota inventory represents the quota remaining in the Board's bank as a result of balancing exchange activities that commenced March 7, 1980, valued at the October 1990 purchase prices. .

2. Fixed assets are carried at cost and depreciation is provided on a straight line basis using rates that will charge operations with the cost of these assets over their estimated useful lives as set out below. When fixed assets are sold, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in the statement of income and retained income. Expenditures for repairs and maintenance are charged to income as incurred.

Buildings	20 - 50 years	Warehouse equipment	10 years
Office furniture and fixtures	10 years	Computer equipment	3-5 years
Automobiles and truck	3 1/3 years		

3. Accounts payable and accrued liabilities include an amount of $13,217,411 (1989, $12,315,029) being the unremitted portion of the market-sharing quota levies collected, net of refunds received, under an agreement with the Canadian Dairy Commission and an amount of $1,242,719 recoverable from (1989, $1,089,915 payable to) producers in respect of pool operations.

4. The Wm. A. Stewart Fellowship Fund was increased in the year by interest earned of $4,871 (1989, $4,872) less a fellowship payment in the year of $4,000 (1989, $4,000).

Statement of Market Expansion Funds

Year ended October 31, 1990,
with comparative figures for 1989

The Ontario Milk Marketing Board

	1990	1989
Fees collected on milk (note 5)	**$17,526,993**	**$16,227,882**
Disbursements during the year		
Fluid milk advertising, promotion, media, production and research		
Advertising and promotion	7,974,264	7,628,962
Research	428,546	352,107
Nutrition communications	375,937	344,831
Other activities	67,882	46,572
	8,846,629	**8,372,472**
Administrative	555,303	552,086
	9,401,932	**8,924,558**
Dairy Bureau of Canada (note 6)	7,837,344	7,612,378
	17,239,276	**16,536,936**
Refund of creative materials	-	7,750
	17,239,276	**16,544,686**
Increase (decrease) for the year	**287,717**	**(316,804)**
Accumulated funds, beginning of year reserved for market expansion activities	15,410	332,214
Balance, end of year	**$ 303,127**	**$ 15,410**

Notes (continued)
5. Collections for all market expansion activities were increased effective February 1, 1990 from 70.0 to 75.5 cents per hectolitre in respect of all milk shipments to the Board.
6. Disbursements to the Dairy Bureau of Canada for national market expansion activities were increased effective June 1, 1990 from 60.0 to 62.0 cents per hectolitre of market-sharing quota shipments by all producers.

Details of Grants

Year ended October 31, 1990,
with comparative figures for 1989

	1990	1989
Dairy Farmers of Canada	$338,992	$276,312
Fund for Milk and Cream Producers	33,179	30,272
Ontario Farm Animal Council	20,000	10,000
The Ontario Fruit and Vegetable Growers Re: Labour Relations Act	-	1,500
Canadian Federation of Agriculture Re: Canfarm shares	-	1,250
Grants during year	**$392,171**	**$319,334**

Statement of Quota Exchange Funds

(Note 7)

Year ended October 31, 1990,
with comparative figures for 1989
The Ontario Milk Marketing Board

	Group I Pool Quota		Market-Sharing Quota						All quota	
			Unused		Used		Total			
	1990	1989	**1990**	1989	**1990**	1989	**1990**	1989	**1990**	1989
Sales	**$28,609,846**	**$29,559,795**	**$21,619,525**	**$27,629,923**	**96,522,188**	**$8,093,960**	**$28,141,713**	**$35,723,883**	**$56,751,559**	**$65,283,678**
Cost of sales										
Opening inventory	781,500	(42,834)	457,733	429,071	20,985	27,191	478,718	456,262	1,260,218	413,428
Purchases	28,298,575	30,404,197	20,878,085	27,960,072	6,518,221	7,987,207	27,396,306	35,947,279	55,694,881	66,351,476
	29,080,075	30,361,363	21,335,818	28,389,143	6,539,206	8,014,398	27,875,024	36,403,541	56,955,099	66,764,904
Closing inventory	470,448	781,500	(184,425)	457,733	11,750	20,985	(172,675)	478,718	297,773	1,260,218
	28,609,627	**29,579,863**	**21,520,243**	**27,931,410**	**6,527,456**	**7,993,413**	**28,047,699**	**35,924,823**	**56,657,326**	**65,504,686**
Changes in the year	219	(20,068)	99,282	(301,487)	(5,268)	100,547	94,014	(200,940)	94,233	(221,008)
Balance, beginning of year	29,019	49,087	245,517	547,004	165,617	65,070	411,134	612,074	440,153	661,161
Balance, end of year	**$ 29,238**	**$ 29,019**	**$ 344,799**	**$ 245,517**	**$ 160,349**	**$ 165,617**	**$ 505,148**	**$ 411,134**	**$ 534,386**	**$ 440,153**

Notes (continued)

7. The statement of Quota Exchange Funds reflects the dollar values of transactions effected on the quota exchanges held in the year.

Statement of Dairy Science Research Chair Fund

(Note 8)

Year ended October 31, 1990,
with comparative figures for 1989

	1990	1989
Income		
Fees collected on milk	$ 27,820	$117,779
Interest	29,707	16,367
	57,527	**$134,146**
Disbursement	17,500	20,000
Increase in the year	40,027	114,146
Balance, beginning of year	208,444	94,298
Balance, end of year	**$248,471**	**$208,444**

Notes (continued)

8. Under the terms of an agreement with the University of Guelph, the Board has agreed to fund a chair in dairy microbiology for a ten-year period.

The Board had provided an interim amount of $20,000 in 1989 to be used by the University in connection with a candidate search. Monthly payments commenced September 1, 1990 and will total $105,000 in the first year and $125,000 in each of the next nine years.

Fee collections to fund this commitment commenced February 1, 1988 at one-half cent per hectolitre on all milk shipments to the Board. The collections were suspended on February 1, 1990 for a two-year period.

Statement of Income and Retained Income

Year ended October 31, 1990,
with comparative figures for 1989

The Ontario Milk Marketing Board

Income	**1990**	1989
Licence fees (note 9)	$ 6,266,093	$ 5,772,787
Less portion applicable to Milk Producer magazine subscriptions	105,074	77,760
	6,161,019	5,695,027
Cheese exchange service charge	27,680	27,225
Cheese warehousing, net income before depreciation	95,458	161,042
Milk Producer magazine, net income before depreciation	64,411	32,758
Interest, net (note 10)	3,219,601	3,025,225
Milk quality payments, net	925,397	257,586
Udder health management	103,180	122,374
Ontario Dairy Herd Improvement Corporation levies	708,551	706,689
Assignment administrative fee	46,979	41,808
Quota exchange administrative fee	35,106	34,018
Gain on disposal of fixed assets	13,661	54,090
	11,401,043	**10,157,842**
Expenses		
Administrative (note 11)	7,293,278	6,146,079
Policy development (note 12)	912,444	842,482
County and District Milk Committees	660,247	631,965
Grants	392,171	319,334
Milk tests, central laboratory	613,912	592,826
Udder health management	162,995	149,412
Ontario Dairy Herd Improvement Corporation levies	708,551	706,689
Ontario Dairy Farm Accounting Project, net	87,177	73,109
Research	204,042	183,127
Annual meeting	76,720	70,914
Other meetings	12,956	2,520
Depreciation	537,455	462,828
	11,661,948	**10,181,285**
Excess of expenses over income	(260,905)	(23,443)
Retained income, beginning of year	4,444,265	4,467,708
Retained income, end of year	**$ 4,183,360**	**$ 4,444,265**

Notes (continued)

9. Licence fees for administrative purposes were increased effective February 1, 1990 from 25.0 to 27.0 cents per hectolitre in respect of all milk shipments to the Board.

10. It is the policy of the Board to maximize the return on funds retained by investing in deposit receipts and similar interest earning arrangements.

11. Administrative expenses do not include $645,949 (1989, $618,348) allocated to Market Expansion Fund and Milk Producer magazine operations.

12. Policy development expenses include remuneration and operating expenses of Chairman, Board Members and Secretariat and cost of annual report.

Statement of Changes in Financial Position

Year ended October 31, 1990,
with comparative figures for 1989

The Ontario Milk Marketing Board

Operating activities	**1990**	1989
Excess of expenses over income	$ (260,905)	$ (23,443)
Adjustments for items not requiring cash		
Depreciation	537,455	462,828
Grant of investment	-	1,250
Gain on disposal of fixed assets	(13,661)	(54,090)
	262,889	386,545
Changes in non-cash working capital components		
Accounts and bills receivable	(6,001,423)	4,636,690
Accounts payable and accrued liabilities	4,636,778	(8,608,416)
Deferred pension costs	(297,000)	-
Prepaid expenses	38,014	134,257
Quota inventory	962,445	(846,790)
Cash used in operating activities	**(398,297)**	**(4,297,714)**
Investment activities		
Purchase of fixed assets	(417,137)	(320,938)
Disposal of fixed assets	64,205	94,767
Cash used in investment activities	**(352,932)**	**(226,171)**
Fund activities		
Market expansion	287,717	(316,804)
Quota exchange	94,233	(221,008)
Dairy Science Research Chair	40,027	114,146
Wm. A. Stewart Fellowship	871	872
Cash provided by (used in) fund activities	**422,848**	**(422,794)**
Decrease during the year	**(328,381)**	**(4,946,679)**
Cash and short-term investments, beginning of year	**17,002,392**	**21,949,071**
Cash and short-term investments, end of year	**$16,674,011**	**$17,002,392**

Notes (continued)

13. The Board maintains a defined benefit pension plan for substantially all of its employees which provides benefits based on length of service and remuneration.

The most recent actuarial valuation of the plan was as at December 31, 1987. As at October 31, 1989 the accrued benefit obligation was $3,222,000 and the market value of assets aggregated $3,550,000.

Effective November 1, 1989, the Board prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for pension expense and the related obligation. In prior years, pension costs for current service were charged to earnings on a current basis and those in respect of past service over a five-year period. This change in accounting policy has had the effect of reducing pension expense for the current year by $297,000.

Pension expense includes the cost of pension benefits accrued for employees' services for the year and the past service costs, plan improvements, experience gains and losses and the net pension asset or liability amortized on a straight-line basis over the expected average remaining service life of the plan participants. The assets of the pension plan are stated at current market values.

Pool Operations

Year ended October 31, 1990,
with comparative figures for 1989

The Ontario Milk Marketing Board

	1990	1989
Milk quantities ('000 litres)	**2,361,990**	**2,355,610**
Milk value		
Sales	$1,186,362,302	$1,172,779,405
Purchases	1,186,144,245	1,172,816,853
	218,057	(37,448)
Recoverable from producers, beginning of year	(202,062)	(164,614)
Payable to (recoverable from) producers, end of year	**15,995**	**(202,062)**
Transportation		
Recovered from producers	48,972,899	46,857,464
Expense	51,523,590	48,973,297
	(2,550,691)	(2,115,833)
Payable to producers, beginning of year	1,291,977	3,407,810
Payable to (recoverable from) producers, end of year	**(1,258,714)**	**1,291,977**
Total payable to (recoverable from) producers, end of year (note 3)	**$ (1,242,719)**	**$ 1,089,915**

Market-sharing Quota Levies

Year ended October 31, 1990,
With comparative figures for 1989

	1990	1989
Unremitted, beginning of year	$12,315,029	$13,530,718
Refund from Canadian Dairy Commission	3,347,976	6,904,193
Net collections from producers		
Within-quota	31,440,127	28,853,195
Over-quota	5,716,911	10,848,112
Skim-off	1,049,064	-
	53,869,107	**60,136,218**
Net disbursements to Canadian Dairy Commission	40,651,696	47,821,189
Unremitted, end of year (note 3)	**$13,217,411**	**$12,315,029**

In respect of the federal Dairy Year ended July 31, 1990 the Board has collected $29,051,414 (1989, $29,728,467) within-quota levies and $16,434,851 (1989, $14,423,979) over-quota levies from producers and has refunded to producers $10,735,469 (1989, $3,573,526) in over-quota levies less within-quota levies of $840,896 (1989, $316,898) resulting from such refunds.
Since 1977, the skim-off levy assessed on fluid milk shipments had been collected by the CDC as a holdback from the monthly direct payment. Commencing August 1, 1990, this levy is being collected by the Board and remitted monthly to the CDC.

Region 1
Gaston Levac

Region 2
Paul Henderson

Region 3
Bill Schouten

Region 4
Gordon Donnan

Region 5
Jim Tunney

Region 6
Gordon Coukell

Region 7
Peter Oosterhoff, Vice-Chairman

Region 8
Grant Smith

Region 9
John Core, Chairman

Region 10
Bruce Whale

Region 11
Bruce Saunders

Region 12
Claude Chartrand

Ontario Cream Producers' Marketing Board, *Elgin Cole*

Secretary to the Board
Harry Parker

Year joined Board

Gaston Levac	1989
Paul Henderson	1986
Bill Schouten	1981
Gordon Donnan	1988
Jim Tunney	1981
Gordon Coukell	1986
Peter Oosterhoff	1975
Grant Smith	1968
John Core	1981
Bruce Whale	1986
Bruce Saunders	1987
Claude Chartrand	1984
Elgin Cole	1989

The efficient, well-organized Ontario dairy industry of today is a far cry from that of 1965, when the word "chaotic" was the most common description of marketing conditions at that time. Producer returns varied widely across the province, industrial milk shippers suffered from low returns and little hope of entering the more lucrative fluid market, and transporter routes overlapped in a most inefficient way. Many key government officials and industry leaders knew that change must come.

It did that year when then Agriculture Minister William Stewart introduced legislation to create the Ontario Milk Marketing Board. He had followed up quickly on the conclusions of the Hennessey Committee that had recommended creation of a single milk producers' pool to replace organizations representing fluid milk, concentrated milk and cheese producers.

Mr. Stewart appointed members of the first Board, including its chairman, George McLaughlin, a fluid milk shipper from Beaverton. They faced an enormous task. Although legislation had granted the Board sweeping powers to market and set prices for all milk sold in the province, it first had to create policies that would accomplish this job.

The Early Years

Among its early tasks was setting uniform fluid milk prices for the province, and later securing a price increase for producers. The Board successfully established pooled pricing for fluid shippers by 1968, starting with the Northern Pool. Also during this era, it brought in graduated entry. This program made fluid quota available through the Board to make it easier for industrial milk shippers to share in the higher priced fluid market.

In the late 1960s, milk transport rationalization, another major policy initiative, began to put an end to costly duplication and overlapping of transporter routes. Completion of this massive overhaul took until the mid-1970s, and fine-tuning has continued since. As well, the Board pooled producer transportation charges, beginning with county pools. Pooling became more equitable with the establishment of five pools in the province and compensation of transporters according to a formula.

Sights were next set on creation of a Group 2 pool for industrial milk shippers. The Board reached this goal and began marketing all milk in Ontario on behalf of producers on April 1, 1970. The industrial milk plan included milk supply allocation and classified pricing for processors, according to the products they made.

Ontario producers also supported a movement at the national level to create a system of market sharing quota (MSQ) for all of Canada. Ontario and Quebec, which together marketed 80 per cent of Canada's industrial milk, signed an agreement to create a national milk plan in early 1971. All other provinces, except Newfoundland, eventually joined as well. Still, all was not well with industrial milk. Production declined in the face of poor returns, and Canada actually had to import butter to meet domestic requirements.

The Board heavily supported efforts by Dairy Farmers of Canada (DFC) to convince the federal government to price industrial milk by means of a target returns formula. By 1975, then federal Agriculture Minister Eugene Whelan announced a new five-year dairy policy that included such a pricing mechanism.

The same year, the quality payment program encouraged shipping of high-quality raw milk by setting out deductions for producers who shipped product below set standards. The Board encouraged the Ontario Ministry of Agriculture and Food in developing the program in the belief that the province's milk quality should be second to none.

During the early to mid-1970s, various industrial milk incentive programs were introduced. Producers responded to them too well. When the new dairy year began on April 1, 1976, MSQ was cut 15 per cent for individual producers in the province.

Many producers scrambled to buy quota to cover their milk shipments, driving up prices. The Board, alarmed by the trend, set a maximum price of $16 per pound on Group One quota and 1.5 cents per pound on MSQ. The limits stayed on as the Board began looking at alternative quota transfer methods to replace a system that basically left individual producers to conduct transactions among themselves.

Winds Of Change

As 1977 began, change was in the wind. After serving producers for 11 years, George McLaughlin stepped down as Board Chairman. Succeeding him was Ken McKinnon of Port Elgin, and Grant Smith of Burgessville was elected new Vice-Chairman. The same year, a new era began as producers shipping milk in cans were given until October 31 to install bulk tanks, convert to cream production or leave the industry. Ontario producers also saw their milk cheques shrink by 25 cents per hundredweight as the Canadian Dairy Commission got the right to collect the so-called "skim-off levy", to which the Board vigourously, but unsuccessfully, objected.

Producers adjusted to another new policy in

1978 when the end of the dairy year was changed to July 31 from March 31.

Quota values remained a concern within and without the industry. But a 1979 study authored by University of Guelph economists S.H. Lane and M.A. MacGregor advocated that quotas trade freely among producers. They concluded that more efficient producers would buy quota from those who were less efficient. The Board went on to devise the quota exchange that has operated successfully since 1980.

Milk Quality Improved

The Board next turned its attention to further improving milk quality. In 1981, a single milk quality standard was established, meaning that fluid and industrial milk had to meet the same stringent requirements. Among the direct benefits to producers was lower transportation costs since the same road tankers could now pick up all milk. Before, fluid and industrial milk was transported separately.

The same year, with Board backing, the Ontario Dairy Herd Improvement Corporation was set up. The new producer-run organization took over milk recording from the province, and, eventually Record of Performance in Ontario from the federal government.

Emphasis on quality continued. All producers started getting monthly somatic cell counts (SCCs) after a pilot project established the value of SCCs for monitoring mastitis. In 1982, the Udder Health Program was established to provide producers with the services of trained specialists to advise them. The Board reinforced its quality message in 1989 with a penalty program for producers with high SCCs.

Technical advances continued during the 1980s. The new Central Testing Laboratory in Guelph, complete with state-of-the-art equipment, started fresh milk testing in March 1985. Four samples for each producer were submitted to the lab each month and analyzed for content of butterfat, protein, lactose and solids-not-fat. Samples also were tested for bacteria and somatic cell counts, and for presence of inhibitors.

The Canadian Dairy Commission got a new Vice-Chairman in 1986 when Ken McKinnon accepted the appointment and resigned as Board Chairman. The Board elected Grant Smith as new Chairman and John Core as Vice-Chairman.

Trade Challenge

Trade became the biggest challenge to confront industry during the latter part of the 1980s and early 1990s, beginning with negotiations on the Canada-U.S. Trade Agreement. At the Board's 1987 annual meeting, Mr. Smith said delegates should tell their MPs that they would not tolerate supply management being traded away. The federal government got the message and excluded the dairy industry from the final agreement. Some nervousness lingered, however, despite yoghurt and ice cream being protected from imports by being placed on the import control list in January 1988 by then Agriculture Minister John Wise. After effective lobbying, producers also got new industrial milk pricing that would index returns using cost-of-production data from the previous year. The target return would be revised on August 1 and February 1 each year if the formula indicated a change of two per cent or more.

By 1989, the international trade issue had become foremost in the minds of most producers. The Board and Dairy Farmers of Canada started to put heavy lobbying pressure on the federal government to ensure that clarification and strengthening of Article XI became part of the Canadian negotiating stance. The issue became even more important after a GATT tribunal, responding to a U.S. complaint, ruled against Canada's addition of yoghurt and ice cream to its import control list. The same year, Agriculture Minister Don Mazankowski established the Dairy Task Force, one of thirteen groups that would review Canadian agricultural policies.

A New Decade

The decade of the 1990s dawned with a year of major change for Ontario's milk producers. At the Board annual meeting in January, Grant Smith announced he would step down as Chairman. The Board later elected John Core as new Chairman and Peter Oosterhoff as Vice-Chairman. The consumer trend towards lower fat products became more evident to producers as MSQ was cut three per cent in February and another three per cent in August. Yet the Board prepared to meet this challenge head on with multiple component pricing (MCP). The first step was re-issuing MSQ in kilograms of butterfat on August 1. The new dairy year also brought an interim seasonality program to encourage more production in the fall, when demand for milk is highest. A more comprehensive scheme was thought to be needed for the long-term future.

Producers also awaited the possibility of change due to international trade. The federal government had declared that it would seek to preserve supply management at GATT talks, but, even as 1990 ended, the final outcome of negotiations was unknown.

The introduction of nutrition labelling in 1989, the Federal Government Nutrition Recommendations and Guidelines, and the GATT negotiations, all affected the marketing of dairy products during the past year. The impact of nutrition labelling changes caused a major delay in the launch of your Board's new fluid milk advertising. The Nutrition Recommendations and Guidelines created significant pressures on Board, Bureau and other industry organizations in making appropriate responses and challenges to these Government interventions in the market. Also, GATT negotiations called for adjustments to the Dairy Bureau marketing programs.

Fluid milk

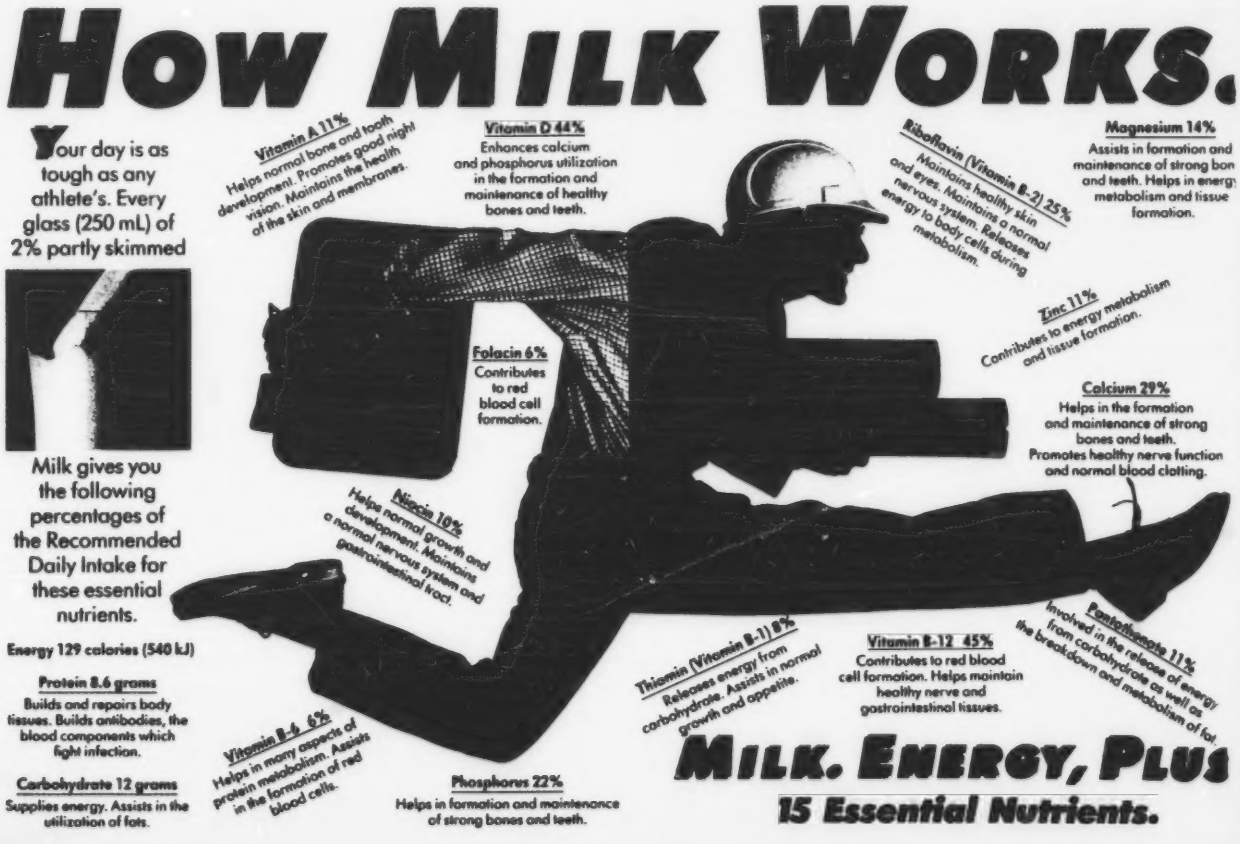
Beverage advertising

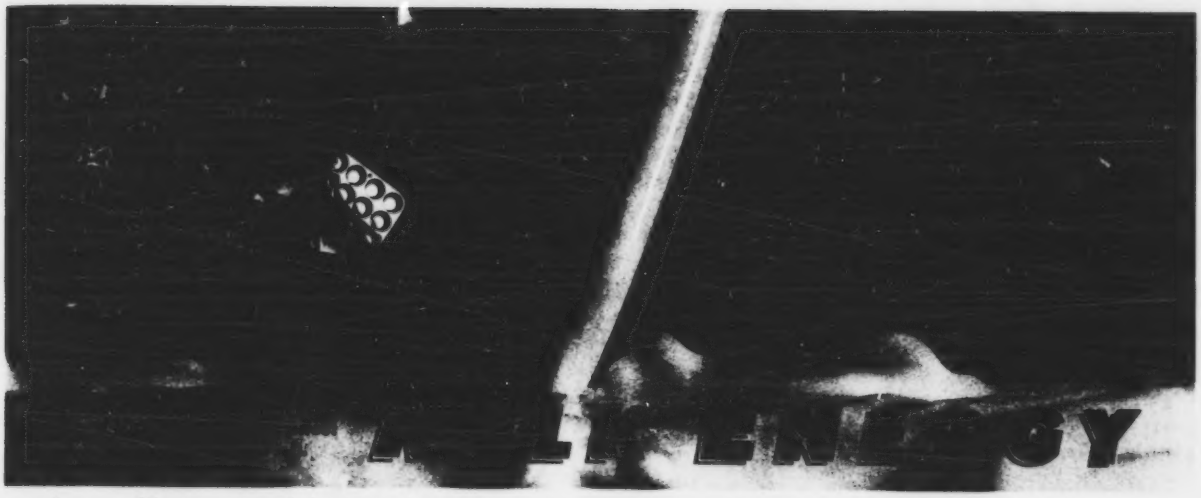
Your Board's main advertising investment is against the selected target groups: adults, young adults, teens and pre-teens and, in addition, those who cook with milk.

Of major concern in recent years and of particular importance to the effectiveness of your Boards' programs, is the accelerating rate of advertising media cost inflation. This frequently outstrips normal inflation by as much as double and is the result of market demand and with TV, also the added basic costs of programming faced by the TV companies. Compounding this issue has been the ever increasing pressure in the market from competing beverages and their ever-expanding advertising and promotion budgets. With a major effort to streamline programs, some of the impact of media inflation was offset in the short term.

Another major challenge has been the legal implications of the nutrition labelling laws and how this affects what may or may not be claimed in advertising. The regulatory changes gave rise to extended negotiations with the Government on obtaining approval for TV scripts. The successful outcome of these negotiations allowed for the much delayed launch of the new young adult targeted advertising, "Milk Energy, plus 15 Essential nutrients". Using a series of four TV commercials, with billboard advertising in support, this new initiative has been very successful in building a strengthened awareness for milk in the consumer market place.

An important extension to the campaign has been a series of magazine advertisements carrying the same theme, but giving important nutrition information about milk and what milk contributes to a healthy lifestyle. Targeted to adults, these advertisements have been very well received and


HOW MILK WORKS.
Your day is as tough as any athlete's. Every glass (250 mL) of 2% partly skimmed
Milk gives you the following percentages of the Recommended Daily Intake for these essential nutrients.
Energy 129 calories (540 kJ)
Protein 8.6 grams
Builds and repairs body tissues. Builds antibodies, the blood components which fight infection.
Carbohydrate 12 grams
Supplies energy. Assists in the utilization of fats.
Vitamin A 11%
Helps normal bone and tooth development. Promotes good night vision. Maintains the health of the skin and membranes.
Vitamin D 44%
Enhances calcium and phosphorus utilization in the formation and maintenance of healthy bones and teeth.
Riboflavin (Vitamin B-2) 25%
Maintains healthy skin and eyes. Maintains a normal nervous system. Releases energy to body cells during metabolism.
Magnesium 14%
Assists in formation and maintenance of strong bon and teeth. Helps in energy metabolism and tissue formation.
Zinc 11%
Contributes to energy metabolism and tissue formation.
Folacin 6%
Contributes to red blood cell formation.
Calcium 29%
Helps in the formation and maintenance of strong bones and teeth. Promotes healthy nerve function and normal blood clotting.
Niacin 10%
Helps normal growth and development. Maintains a normal nervous system and gastrointestinal tract.
Thiamin (Vitamin B-1) 8%
Releases energy from carbohydrate. Assists in normal growth and appetite.
Vitamin B-12 45%
Contributes to red blood cell formation. Helps maintain healthy nerve and gastrointestinal tissues.
Pantothenate 11%
Involved in the release of energy from carbohydrate as well as the breakdown and metabolism of fat.
Vitamin B-6 6%
Helps in many aspects of protein metabolism. Assists in the formation of red blood cells.
Phosphorus 22%
Helps in formation and maintenance of strong bones and teeth.
MILK. ENERGY, PLUS
15 Essential Nutrients.



reach over 80 per cent of the Ontario adult population.

The teen and pre-teen target groups were strongly supported by TV advertising campaigns, commenced in the previous year. With pre-teens a new commercial was added to the campaign to provide extra advertising weight targeted to pre-teen girls. The teen advertising ended in July and a major review of this target group commenced. This will lead to new advertising for the future, commencing in 1991.

Sales Promotion

For reaching the Boards' target audiences at times when major media are not necessarily reaching our consumers, promotions have a major function, particularly at point of purchase.

Targeted to pre-teens, teens and young adults, the Boards' promotions have an important emphasis on milk consumption away from home. The three key promotions are the elementary school and the high school milk programs and also the restaurant promotion, with "Choc on the Rocks". Each of these were valuable support programs reaching 417 elementary schools, 249 high schools and 4,900 restaurants, cafeterias and other fast food outlets.

Ingredient Advertising

The two programs aimed at encouraging consumers to cook with milk are a series of successful magazine advertisements, commenced in the previous year which continued to appear during 1989/90, as well as the annual Milk Calendar, of which 1.9 million were distributed. Seventy-seven per cent of these calendars were retained by customers which indicates that 43 per cent of Ontario households were using the Board's calendar and recipes.

Nutrition Communications

The year just completed proved to be exceptionally busy for everyone including the nutritionists. In addition to conducting 188 workshops reaching 4,598 educators and health professionals, the Boards' nutritionists continued to develop new materials for their programs and review and revitalize existing materials used in the nutrition education process.

Earlier in the year, a major undertaking was a media tour meeting across the Province with broadcasters and writers who influence consumer attitudes. The media response was very good and widespread print and broadcast editorial coverage was obtained in support of milk and milk products.

One major activity has been giving in-put and comment to the new Government Dietary Recommendations and Guidelines. These have important implications for the dairy industry now and for the future.

The nutrition staff and their management within the Product Promotion Division also underwent major staff changes. Ilona Horgen, the Nutrition Education Coordinator, left the Board to take up a

The introduction of nutrition labelling in 1989, the Federal Government Nutrition Recommendations and Guidelines, and the GATT negotiations, all affected the marketing of dairy products during the past year. The impact of nutrition labelling changes caused a major delay in the launch of your Board's new fluid milk advertising. The Nutrition Recommendations and Guidelines created significant pressures on Board, Bureau and other industry organizations in making appropriate responses and challenges to these Government interventions in the market. Also, GATT negotiations called for adjustments to the Dairy Bureau marketing programs.

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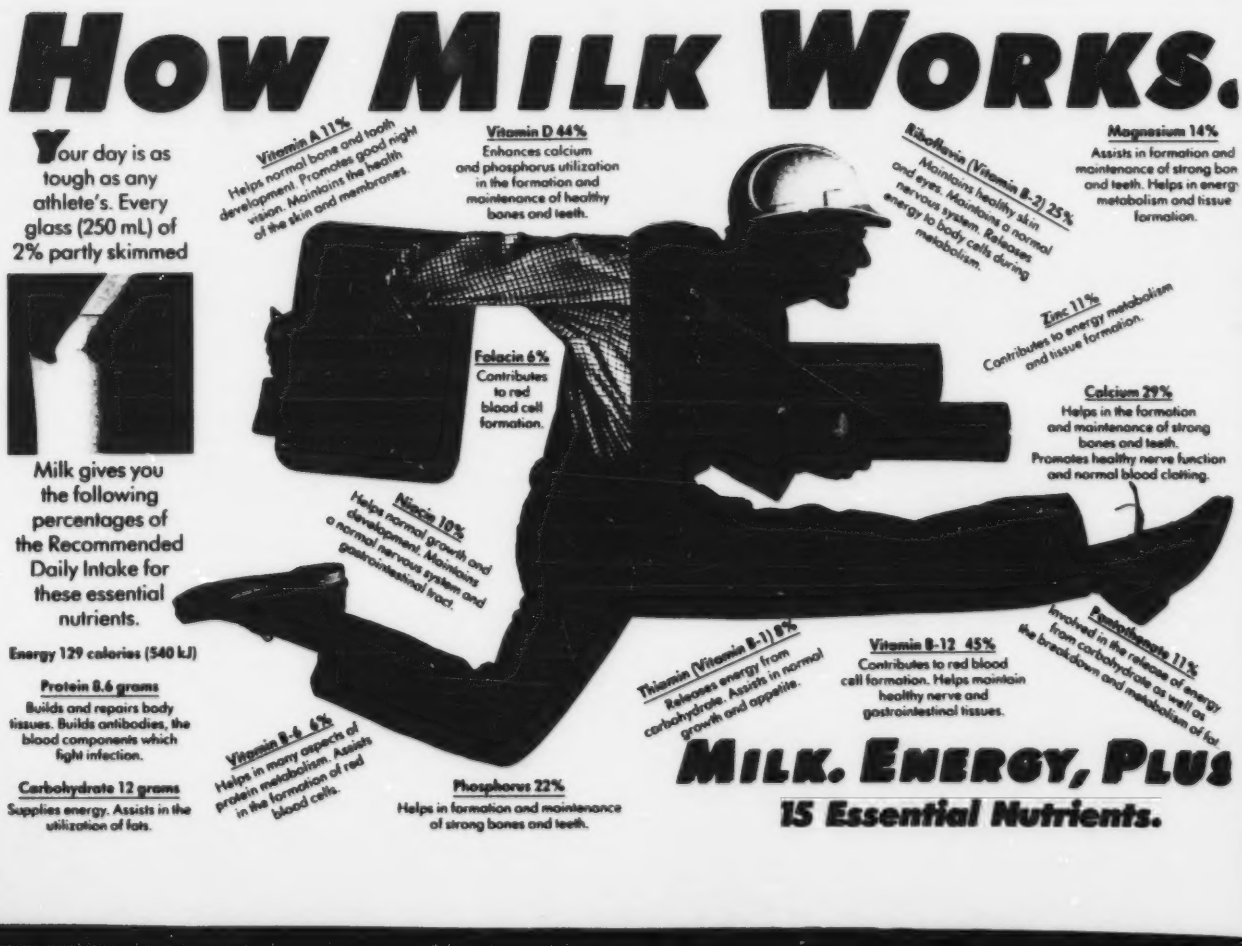
HOW MILK WORKS.
Your day is as tough as any athlete's. Every glass (250 mL) of 2% partly skimmed
Milk gives you the following percentages of the Recommended Daily Intake for these essential nutrients.
Energy 129 calories (540 kJ)
Protein 8.6 grams
Builds and repairs body tissues. Builds antibodies, the blood components which fight infection.
Carbohydrate 12 grams
Supplies energy. Assists in the utilization of fats.
Vitamin A 11%
Helps normal bone and tooth development. Promotes good night vision. Maintains the health of the skin and membranes.
Vitamin D 44%
Enhances calcium and phosphorus utilization in the formation and maintenance of healthy bones and teeth.
Riboflavin (Vitamin B-2) 25%
Maintains healthy skin and eyes. Maintains a normal nervous system. Releases energy to body cells during metabolism.
Magnesium 14%
Assists in formation and maintenance of strong bon and teeth. Helps in energ metabolism and tissue formation.
Zinc 11%
Contributes to energy metabolism and tissue formation.
Folacin 6%
Contributes to red blood cell formation.
Calcium 29%
Helps in the formation and maintenance of strong bones and teeth. Promotes healthy nerve function and normal blood clotting.
Niacin 10%
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15 Essential Nutrients.

reach over 80 per cent of the Ontario adult population.

The teen and pre-teen target groups were strongly supported by TV advertising campaigns, commenced in the previous year. With pre-teens a new commercial was added to the campaign to provide extra advertising weight targeted to pre-teen girls. The teen advertising ended in July and a major review of this target group commenced. This will lead to new advertising for the future, commencing in 1991.

Sales Promotion

For reaching the Boards' target audiences at times when major media are not necessarily reaching our consumers, promotions have a major function, particularly at point of purchase.

Targeted to pre-teens, teens and young adults, the Boards' promotions have an important emphasis on milk consumption away from home. The three key promotions are the elementary school and the high school milk programs and also the restaurant promotion, with "Choc on the Rocks". Each of these were valuable support programs reaching 417 elementary schools, 249 high schools and 4,900 restaurants, cafeterias and other fast food outlets.

Ingredient Advertising

The two programs aimed at encouraging consumers to cook with milk are a series of successful magazine advertisements, commenced in the previous year which continued to appear during 1989/90, as well as the annual Milk Calendar, of which 1.9 million were distributed. Seventy-seven per cent of these calendars were retained by customers which indicates that 43 per cent of Ontario households were using the Board's calendar and recipes.

Nutrition Communications

The year just completed proved to be exceptionally busy for everyone including the nutritionists. In addition to conducting 188 workshops reaching 4,598 educators and health professionals, the Boards' nutritionists continued to develop new materials for their programs and review and revitalize existing materials used in the nutrition education process.

Earlier in the year, a major undertaking was a media tour meeting across the Province with broadcasters and writers who influence consumer attitudes. The media response was very good and widespread print and broadcast editorial coverage was obtained in support of milk and milk products.

One major activity has been giving in-put and comment to the new Government Dietary Recommendations and Guidelines. These have important implications for the dairy industry now and for the future.

The nutrition staff and their management within the Product Promotion Division also underwent major staff changes. Ilona Horgen, the Nutrition Education Coordinator, left the Board to take up a

senior post with the Canadian Dietetic Association. We wish her every success in her new post. Joanne Gallagher was promoted to replace Ilona and brings to the post significant experience of importance to the Board as well as a sound knowledge of the Board's nutrition programs. Also during the year, the Board's other nutritionists moved on to career development opportunities and, in one case, chose to focus on family and domestic responsibilities. All

have now been replaced by a team of professionals who bring fresh thinking and valuable credentials to the Board's nutrition education programs.

Industrial milk products

Dairy Bureau of Canada programs

Two major events in 1990 affecting the marketing of dairy products caused the Dairy Bureau of Canada to adjust its marketing programs during the year.

The Nutrition Recommendations announced in the Spring by the Federal Government, and most particularly the Guideline recommending low-fat dairy products, will have a negative impact on dairy product consumption. The dairy industry has challenged the wording of the Guideline which does not accurately translate the intent. Indications are that the Government will modify that particular phrase.

The Dairy Bureau, together with Dairy Farmers of Canada, have prepared critical assessments of the Nutrition Recommendations and Canada's Guidelines for Healthy Eating, and these have been presented to the Minister of National Health and Welfare.

The Fall 1990 GATT negotiations were seen to have serious implications for the dairy industry and Dairy Farmers of Canada enlisted the cooperation of the Dairy Bureau to evaluate consumer attitudes towards dairy farmers and the need for Canadian-produced dairy products. A brochure was then developed to inform politicians and civil servants of the high level of support for dairy farmers, and a consumer TV campaign capitalized on the positive image of dairy farmers and supported the importance of self-sufficiency in the dairy sector.

Both the Nutrition Recommendations and the GATT problem called for the re-direction of funds and human resources in 1990. Notwithstanding, the Dairy Bureau has developed and executed innovative and aggressive programs in support of butter and cheese, which account for 84% of farm gate revenue from the industrial milk sector.

Butter

The importance of continued support for butter can hardly be over-stated. Within the industrial milk sector, 43.6% of butterfat goes into butter production and declines in butter sales and increased skim-off have a serious negative impact on quota. The total spread category is in decline, health concerns in the market place are growing, and new Nutrition Recommendations have not helped the sale of butter. The taste/quality merits of the product and the ability of a little butter to make a lot of difference must be reinforced in the consumer's mind. We must capitalize on the perception that butter enhances food with which it is used, while diminishing the association with fat.

Early in 1990, new creative concepts were tested with the consumer and the "artimation" approach came out a clear winner. The commercials, in which food partners dance with butter on a knife, are seen as refreshing, amusing and innovative by the consumer. Two 30-second and two 15-second commercials have been produced in 1990 and have elicited a most unusual and amazing response. Hundreds of people have written letters in praise of the campaign and have taken the time to phone the Bureau from all across the country, or to phone their local TV station to show their appreciation.

The second overall communications objective for butter was to reinforce that butter belongs in a healthy lifestyle and this was done by associating butter, and all dairy products, with the increasingly popular sport activity of cycling. The Dairy Bureau sponsored TV broadcasts of eleven World Cup races on English and French networks and sponsored the most important and prestigious cycling events in North America: the Hamilton Cycling Challenge and America's Cycling Grand Prix. 1990 was the first year for the Hamilton race and the city administration was most supportive and enthusiastic. In 1991, interest in professional cycling will increase significantly due to an additional race being held in North America: one race will be held in Baltimore, one in Hamilton and one in Montreal.

Cheese

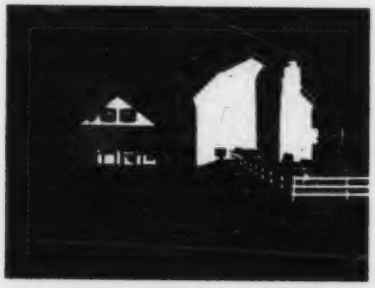
Per capita consumption of cheese continues to increase and its nutritional benefits are well recognized. While the anti-fat campaigns have not yet seriously affected cheese sales, the trend to low-fat cheese is accelerating.

It seems that cheese processors are relying more heavily on Dairy Bureau advertising. Processor advertising in 1989, principally Kraft, dropped by $5 million and generic cheese advertising represented about half the total category support.

Our communication objective to consumers was to convince them to buy more cheese, more often by developing a strong habit of cheese eating. A new campaign, still featuring kids, demonstrated that cheese is nutritious, versatile and ideal at all eating occasions, including breakfast. The "cheese habit" was reinforced in restaurants by motivating restaurant chains to develop new cheese menu items through shared cost point-of-sale promotions. This is a very popular program with chains because it noticeably increases chain profit through increased cheese sales.

The image of Canadian cheese and the increased utilization of cheese in restaurants were also promoted through the Chef's recipe contest and the subsequent distribution of recipes to over 23,000 restaurants who have requested them. The recipe contest continues to be a prestigious event and the standard of recipes received is high.

Cheese seminars and videos have been presented to foodservice colleges and institutions across Canada, with the objective of educating those in the industry and those about to enter it on the values of cheese.



The Canadian government is under pressure to sign an international trade deal which could destroy our self-sufficiency in dairy products.

Thousands of dairy farms will die, if the U.S. and Europe, which protect their own dairy industries, invade ours.

By calling 1-800-661-9494, you can automatically send the government a signal of support for our dairy farm heritage.

Please call. **BECAUSE EVERY TIME A DAIRY FARM DIES, PART OF CANADA DIES TOO.**

DEFENDERS OF THE DAIRY FARMERS OF CANADA.

Script of TV commercial

All dairy products

Various programs promoted the full range of dairy products. Notable amongst them was the Dairy Case Management Seminar program which has been in great demand. In Ontario major seminars have been held with Dominion, A & P and with the principal independent stores in Northern Ontario. The Dairy Bureau's Exhibition Booth travelled round fairs and exhibitions in the Maritimes, Quebec and Ontario during 1990. Recipe press releases continue to ensure that dairy products receive their fair share of editorial space in both daily and weekly newspapers.

Science and technology

The Dairy Bureau's grant-in-aid program plays a major role in advancing dairy research in Canada. The Nutrition research program encompasses the study of biological activity of dairy products in attaining and maintaining optimum health and the Technology research program serves to accelerate product development for butterfat.

A Scientific Advisory Committee meets twice a year to review and recommend research proposals. In 1990, projects funded included dairy foods in relation to cardiovascular disease, cancer issues, bone health and the immune system.

Nutrition Communications

A great deal of time and effort was diverted from regular programs to the in-depth assessments of the Federal Government's Report of the Scientific Review Committee on which the Nutrition Recommendations were based, of the subsequent Guidelines for Healthy Living, the implementation recommendations and, most recently, a detailed study of the technical data on which the new Food Guide will be based. Consultation with Dairy Farmers of Canada and other dairy partners was maintained throughout. In addition, the Department has produced Nutrition Quarterly, new milk and dairy product fact sheets, a revised calcium booklet, an informative pamphlet on the tooth protective qualities of cheese and has mounted a booth at eight medical/paramedical conventions or seminars, reaching approximately 18,000 health professionals.

ONTARIO DAIRY PRINCESS 1989-90

Lynda Thompson, the 34th Ontario Dairy Princess, was from the Region of Peel. Lynda, the daughter of Roy and Heather Thompson, won her title at the 1989 Canadian National Exhibition.

As a full time employee of the Board for one year, Lynda travelled nearly 40,000 km on behalf of Ontario's milk and cream producers. During 1990, a cellular phone was installed in the Ontario Dairy Princess car to improve the safety provisions for her and help her carry out her responsibilities more efficiently.

During her year, Lynda gave 348 school presentations and attended 138 special events which included store promotions, fairs, parades, banquets, annual meetings and Dairy Princess competitions. Lynda was interviewed by 28 radio and television stations and received coverage in over 60 newspapers. She visited 41 counties and districts in Ontario, the World Dairy Expo in Madison, Wisconsin and was a guest of the Milk Marketing Board in England and Wales for two weeks.

Lynda carried out her responsibilities with enthusiasm, personal integrity and charm, with which she made many friends throughout the province.

Following her reign, Lynda returned to the University of Guelph for her third year in the International Development program.

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